



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)



2016
INTERIM REPORT

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IMPORTANT

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

During the reporting period, the Company does not distribute profit or transfer capital reserve to share capital with provident fund.
6. Risk disclaimer of the forward-looking statements

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

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

No
9. Others

The financial data in the report are prepared in accordance with the PRC GAAP. There are no significant risks during the reporting period.

Definitions

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

Definitions of common terms

Chongqing Iron & Steel Group, Parent Company, Controlling Shareholder	Chongqing Iron & Steel (Group) Co., Ltd.
Company, Group, Chongqing Iron & Steel, Chongqing Iron & Steel Company Limited	Chongqing Iron & Steel Company Limited
Board	the board of directors of Chongqing Iron & Steel Company Limited
Supervisory Committee	the supervisory committee of Chongqing Iron & Steel Company Limited
General Meeting	the general meeting of Chongqing Iron & Steel Company Limited
CSRC	China Securities Regulatory Commission
Chongqing Securities Regulatory Bureau	Chongqing Securities Regulatory Bureau of China Securities Regulatory Commission
Articles of Association	Articles of Association of Chongqing Iron & Steel Company Limited
Companies Law	the Companies Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Reporting Period	From January to June 2016
RMB, RMB'000, RMB'0000	RMB yuan, RMB thousand yuan, RMB ten thousand yuan

I. COMPANY INFORMATION

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

II. CONTACT PERSON AND INFORMATION

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

III. CHANGES IN BASIC INFORMATION

Registered address of the Company	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Postal code of the registered address of the Company	401258
Office address of the Company	No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing, the PRC
Postal code of office address of the Company	401258
Company website	http://www.cqgt.cn
E-mail address	dms@email.cqgt.cn
Query index for changes during the reporting period	No changes during the reporting period

IV. CHANGE IN DISCLOSURE OF INFORMATION AND PLACE FOR INSPECTION

Name of newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by CSRC for posting interim reports	www.sse.com.cn
Place for inspection of interim report	Secretariat of the Board of the Company
Query index for changes during the reporting period	No changes during the reporting period

Company Profile (continued)

V. STOCK PROFILE

Classification of stock	Listing stock exchange	Abbreviated Name	Stock Code	Stock name before change
A share	Shanghai Stock Exchange	Chongqing Iron	601005	/
H share	The Stock Exchange of Hong Kong Limited	Chongqing Iron	1053	/

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

Registration date	January 12, 2016
Registration place	Chongqing AIC
Social Credit Unicode	91500000202852965T
Query index for changes during the reporting period	National business credit information publicity system http://gsxt.saic.gov.cn/

VII. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	Pan-China Certified Public Accountants LLP
	Office address	F3, Suite 2-B, Fortune Central Park, 13 Fortune Avenue, North New District, Chongqing
	Name of accountants signing-off the report	Zhang Kai, Huang Qiaomei
Accounting firm engaged by the Company (overseas)	Name	Pan-China Certified Public Accountants LLP
	Office address	F3, Suite 2-B, Fortune Central Park, 13 Fortune Avenue, North New District, Chongqing
	Name of accountants signing-off the report	Zhang Kai, Huang Qiaomei

Summary of Accounting Data and Financial Indicators

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Accounting Data

Unit: RMB'000

Key accounting data	This reporting period (January to June)	Same period last year	Change from the same period of last year to this reporting period (%)
Operating income	2,789,412	4,505,619	-38.09
Net profit attributable to shareholders of the Company	-1,790,343	-2,227,578	19.63
Net profit attributable to shareholders of the Company after extraordinary gains and losses	-1,907,505	-2,223,022	14.19
Net cash flow generated from operating activities	-456,961	-731,329	37.52

	At the end of the reporting period	At the end of last year	Change from the end of last year to the end of the reporting period (%)
Net assets attributable to shareholders of the Company	2,199,292	3,988,873	-44.86
Total assets	37,936,602	39,228,079	-3.29

(II) Key Financial Indicators

Key financial indicators	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this reporting period (%)
Basic earnings per share (RMB per share)	-0.40	-0.50	20.00
Diluted earnings per share (RMB per share)	-0.40	-0.50	20.00
Basic earnings per share after extraordinary gains and losses (RMB per share)	-0.43	-0.50	14.00
Weighted average return on net assets (%)	-57.87%	-25.09%	Decreased by 32.78 percentage points
percentage points Weighted average return on net assets after extraordinary gains and losses (%)	-61.65%	-25.03%	Decreased by 36.62 percentage points

Summary of Accounting Data and Financial Indicators (continued)

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

Applicable Not applicable

III. NON-RECURRING PROFIT AND LOSS ITEMS AND AMOUNTS

Applicable Not applicable

Unit: RMB'000

Non-recurring profit and loss items	Amount	Note (where applicable)
Gains or losses on disposal of non-current assets	12	
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)	115,985	
Other non-operating income and expenses apart from the above-mentioned	1,165	
Total	117,162	

Report of the Board of Directors

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

In the first half of 2016, the domestic steel products market remained sluggish overall despite some recovery. Against the backdrop of continued losses from operations, extremely tight liquidity and great difficulty in securing the supply of raw materials, through the concerted efforts of all employees, the Company was in a better position to ensure the continuity and stability of production and kept all kinds of risks and conflicts in effective control, laying a solid foundation for intensifying reforms at full swing and achieving transformational development.

Major work carried out by the Company during the reporting period: 1. Optimization of production processes for guaranteed economy of scale in production. Firstly, we continued to adhere to the policy for production processes on the basis of stable and smooth operation of the blast furnace in enhancing process synergy, process tolerance, fine operation and system balance and achieved the stable and smooth operation of two blast furnaces in the first half of the year. Secondly, we organized production according to the economy of scale and paid close attention to the work for improving key economic and technical indicators such as one-off hitting rate, rollout rate and pending items. Thirdly, we strengthened all incident supervision and control throughout the system, creating conditions for smooth production. 2. Promotion of systematic cost reduction for reduced cost and enhanced efficiency. In the first half of the year, through the implementation of comprehensive budget management as well as accounting and billing at the workshop and department levels, we fully promoted target cost management and supervised and refined the ten initiatives on cost reduction and efficiency enhancement with long-term and continuous attention, defining targets, assigning responsibilities and implementing stringent assessment which have achieved effective results. 3. Utilization of a variety of procurement methods to support continuous production. To ensure steady production at the most basic scale, we took measures including optimizing procurement channels to achieve a balance in resources and a stable structure, seeking financing for procurement to fill the funding gap and strengthening management to enhance the risk control capabilities, hence securing the supply of raw materials, spare parts and tooling as required in production. 4. Adjustment to our market layout and expanded regional markets. Adhering to a benefit-oriented business policy, we constantly optimized and adjusted the structure of production lines, products, squeezing production lines and products with poor marginal benefits, proactively shrinking inefficient markets and stepping up efforts to develop regional markets. As a result, some results have been achieved. 5. Promotion of cooperation on processing on order to stabilize production for the current period. As per the request of the municipal government, the Company quickly built a team to promote proactive and appropriate liaison with Panhua Group and adopted a variety of measures and means to overcome difficulties in the process of cooperation. Currently, the cooperation is smooth overall.

Major difficulties confronted by the Company at present: 1. Existence of a gap in reducing and controlling losses and arduous tasks for turnaround. 2. Increasingly prominent issue of tight liquidity, huge debt pressure and increasing litigation risk. 3. Tight downsizing and placement schedules characterized by heavy tasks and great difficulties. 4. Urgent need to increase awareness toward promoting reform and reinforcing management and the need for improvement in execution capabilities.

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

In light of the above difficulties, in the second half of the year, the Company will adopt all positive means and gear up for turnaround from loss to profit making in accordance: 1. Cooperate with Panhua Group in respect of processing on order in full-swing, strengthen the optimization of production organization and the control of processes, enhance the quality of products and reduce the cost of processes to ensure that expected goals are achieved. 2. Actively promote institutional reform and reform of the internal personnel, labour employment and wage distribution systems, optimize management processes, improve management efficiency so as to establish modern enterprise management systems and mechanisms and business models fitting in the market economy. 3. Actively seek policy support and implement downsizing and placement taking into account relevant requirements on the elimination of excess capacity, striving to achieve the goal of reducing and relocating 2,500 staff this year. 4. Adjust the structure of assets, capital and debts. Actively participate in the significant asset restructuring work to achieve the adjustment and optimization of the Company's asset, capital and debt structures through the reorganization of assets. 5. Consolidate the results of systematic cost reduction in the first half of the year and accurately identify the focus of cost reduction to ensure the completion of annual cost reduction tasks. 6. Cooperate well with POSCO Korea and promote the building of cold-rolled and galvanized steel projects and strictly control the quality and progress of projects leveraging the technological and management advantages of POSCO to create conditions for the upgrade and gear shifting of the Company's product mix in the "13th Five-Year" period.

During the reporting period, the Company produced 610,000 tons of coke, 1.25 million tons of pig iron, 1.27 million tons of steel and 1.24 million tons of steel products. The production of iron, steel and steel products decreased by 30%, 29% and 24% respectively over the same period last year. The average price of steel billet 2,200 yuan/ton (excluding tax), a decrease of 9.76% over the same period last year. The sales revenue was RMB2,789,412,000, a decrease of 38.09% over the same period last year. The loss was RMB1,790,321,000 and reduced by RMB437,183,000, a decrease of 19.63% over the same period last year.

Report of the Board of Directors (continued)

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

(I) Analysis of principal operations

1. Analysis table on changes of relevant items in financial statements

Unit: RMB'000

Items	For the period	For the same Period last year	Change (%)
Operating income	2,789,412	4,505,619	-38.09
Operating costs	3,432,699	5,599,926	-38.70
Selling and distribution expenses	105,105	118,000	-10.93
General and administrative expenses	601,693	383,116	57.05
Financial expenses	543,734	627,353	-13.33
Net cash flow from operating activities	-456,961	-731,329	37.52
Net cash flow from investing activities	-141,630	74,552	-289.97
Net cash flow from financing activities	799,331	871,485	-8.28
Research and development expenses	187,000	142,570	31.16

Reason for changes in operating income: Steel products market remained in the doldrums and the Company's scale of production and operation reduced.

Reason for changes in operating costs: Caused by reduced scale of production and vigorous efforts in cost reduction and efficiency enhancement.

Reason for changes in general and administrative expenses: Mainly because of increased stoppage loss.

Reason for changes in net cash flow from operating activities: Control operating expenses because of funding constraints.

Reason for changes in net cash flow from investing activities: Received RMB355,486,000 in the first half of 2015 for land sale in 2014, but received none in the first half of 2016.

Report of the Board of Directors (continued)

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

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

2. Others

- (1) Details about significant changes in the components or sources of profit of the Company

During the first half of 2016, the Group realized RMB2,789,412 thousand of operating income, representing a year-on-year decrease of 38.09%, RMB3,432,699 thousand of operating costs, representing a year-on-year decrease of 38.70%, and RMB -1,790,321 thousand of total profit, representing a year-on-year decrease in losses of 19.63%, mainly due to the following reasons:

- ① In the first half of 2016, the Group's income from its main business was RMB2,777,536,000, with a year-on-year decrease of 38.20%, mainly because steel market downturn and reduced scale of production resulted in a substantial decline in sales.

Type	For the first half of 2016		For the first half of 2015		Year-on-year growth (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Plate products	892,319	32.13	1,875,941	41.74	-52.43
Hot rolled coil	1,497,222	53.90	1,953,475	43.46	-23.36
Rod products	329	0.01	21,504	0.48	-98.47
Wire products		0.00	72,932	1.62	-100.00
Steel billets	34,689	1.25	58,557	1.30	-40.76
Sub-total	2,424,559	87.29	3,982,409	88.60	-39.12
Others	352,977	12.71	512,280	11.40	-31.10
Total	2,777,536	100.00	4,494,689	100.00	-38.20

Report of the Board of Directors (continued)

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

(I) Analysis of principal operations (Continued)

2. Others (Continued)

(1) Details about significant changes in the components or sources of profit of the Company (Continued)

① (Continued)

During the first half of 2016, the Group's sales revenue of steel billets products amounted to RMB2,424,559 thousand, representing a year-on-year decrease of RMB1,557,850 thousand. Firstly, it was due to the decrease in selling price. The Group's average selling price of steel billets products amounted to RMB2,200/ton, representing a year-on-year decrease of 9.76% from last year, which resulted in a decrease in revenue of RMB203,046 thousand. Secondly, it was due to the decrease in sales volume. The Group sold 1.1019 million tons of steel billets, representing a year-on-year decrease of 32.53%, which resulted in a decrease in sales revenue of RMB1,354,804 thousand.

Item	For first half of 2016 RMB/ton	For first half of 2015 RMB/ton	Year-on-year Growth (%)	Revenue increase (RMB thousand)
Plate products	2,695	2,678	0.63	5,630
Hot rolled coil	1,995	2,270	-12.11	-206,360
Rod products	1,453	1,777	-18.23	-65
Wire products		2,572	-100.00	0
Steel billets	1,727	1,839	-6.09	-2,251
Total	2,200	2,438	-9.76	-203,046

Item	For first half of 2016 (Ton 0'000)	For first half of 2015 (Ton 0'000)	Year-on-year Growth (%)	Revenue increase (RMB thousand)
Plate products	33.12	70.05	-52.72	-988,985
Hot rolled coil	75.04	86.04	-12.78	-250,112
Rod products	0.02	1.21	-98.35	-21,146
Wire products		2.84	-100.00	-73,045
Steel billets	2.01	3.18	-36.79	-21,516
Total	110.19	163.32	-32.53	-1,354,804

Report of the Board of Directors (continued)

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

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

2. Others *(Continued)*

(1) Details about significant changes in the components or sources of profit of the Company *(Continued)*

② The principal operations realized RMB -650,821 thousand of gross profit, representing a year-on-year decrease in losses of RMB451,504 thousand; mainly due to enhanced cost control, reduced procurement cost and process cost.

③ The Group incurred expenses in the amount of RMB1,250,532 thousand during the first half year, representing a year-on-year increase of RMB122,063 thousand. It mainly resulted from: I. Reduced sale led to a decrease in selling and distribution expenses by RMB12,895 thousand; II. management expenses increased by RMB218,577 thousand over the same period last years; III. financial expenses decreased by RMB83,619 thousand over the same period last years.

Item	Amount for the period	Amount for the last period	Percentage change from the same period last year to this period (%)
Selling and distribution expenses	105,105	118,000	-10.93
Management expenses	601,693	383,116	57.05
Financial expenses	543,734	627,353	-13.33

④ The Group obtained RMB117,169 thousand of non-operating income, representing a year-on-year decrease by RMB115,060 thousand, which was mainly from government grants.

Report of the Board of Directors (continued)

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

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

1. Principal operations by industry and product

Unit: RMB'000

By industry	Principal operations by industry					
	Operating income	Operating costs	Gross profit margin (%)	Change in operating income from last year	Change in operating costs from last year (%)	Change in gross profit margin from last year (%)
Iron and steel	2,777,536	3,428,357	-23.43	-37.81	-38.45	Increased by 1.28 percentage points

By product	Principal operations by product					
	Operating income	Operating costs	Gross profit margin (%)	Change in operating income from last year	Change in operating costs from last year (%)	Change in gross profit margin from last year (%)
Steel products (billets)	2,424,559	2,932,125	-20.93	-39.12	-42.18	Increased by 6.42 percentage points
By-products	215,248	210,966	1.99	-55.53	-57.70	Increased by 5.04 percentage points
OEM business	137,729	285,266	-107.12			Decreased by 107.12 percentage points

2. Principal operations by region

Unit: RMB'000

Region	Operating income	Change in operating income from last year (%)
Southwestern region	1,771,105	-10.93
Other regions	1,006,431	-59.38
Total	2,777,536	-37.81

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

(III) Analysis of core competitiveness

Main business: production, processing and sale of plate products, profiles, wire products, billets and coke coal chemical products, tap water, power generation by utilization of resources, pig iron, granulating slag, steel slag, steel scrap. The Company belongs to the industry of ferrous metal smelting and rolling. Its main business includes: production, processing, and sale of plates/sheets, profiles, wire products, bars, billets, steel bands. As a large Chinese steel business and one of China's largest medium-to-thick plate manufacturer, the Company possesses complete production process, self-contained production and marketing system, advanced technology and excellent product quality. Its shipbuilding plates, pressure vessel plates and boiler plates have won several quality awards and been domestically and internationally certified. "SANFENG" branded products are well renowned among similar products in China.

Its steel products are sold mainly by that regional sales branches (subsidiaries) carry out negotiations with market and end users to acquire product orders, sign sales contracts, develop production plans, and carry out product marketing activities as per the mode of "limit production to market ability". Main products are typically sold in the form of futures based on planned contracts and the pricing policy follows the pre-pricing or post-settlement principle. Unscheduled products, recycled products, unacceptable and substandard products from production process are sold mainly by auctions or in packages.

The Company is one of NDRC pilot organizations for recycling economy, awarded by outstanding organization by the 3rd "Energy Conservation China", and ranked 10th in green rating of Chinese steel industry businesses in 2015. Its main competitive advantages:

- I. Its environmental relocation is formally approved by the NDRC. It is one of the third NDRC pilot enterprises for recycling economy and accepted by China's Ministry of Environmental Protection.
- II. It is industry leading in energy saving and emission reduction. Key environmental indicators (sulfur dioxide, chemical oxygen demand, smoke and dust emission) and emission reduction indicators (coke oven gas, blast furnace gas emission, fresh water consumption per ton of steel) reached the advanced level of the industry. Over 70% of its power supply is self-sustained.
- III. One tank for all steel and iron interfaces, dry vacuum metallurgical technology and distributed cogeneration technology are widely acclaimed by the industry. Its proprietary innovations are widely recognized and popularized by the industry.

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

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

- IV. Innovation platforms and innovation mechanisms are continuously improved. Industry-university-research-application is promoted to a deep level. Its product portfolio is continuously improved. Progress has been made in market development, production and R&D of high value-added products like high strength shipbuilding plates and silicon steel with oriented grain.
- V. Almost all conditions necessary for a modern steel mill like "process modernized, flow compact, equipment large-scale, resources recycled, energy efficient" have been achieved. Its main process steps are fit with domestically first-class technology and equipment.
- VI. With obvious brand advantages, the Company has traditional advantages in product quality. Besides, its brand value and cultural connotation are extended. User recognition and brand loyalty are improved.

(IV) Analysis of investment positions

1. General analysis of external equity investment

Not applicable.

- (1) Information on security investment

Applicable Not applicable

- (2) Information on shareholdings in other listed companies

Applicable Not applicable

- (3) Information on shareholdings in financial institutions

Applicable Not applicable

Report of the Board of Directors (continued)

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

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

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

- (1) Information on entrusted wealth management
 Applicable Not applicable
- (2) Information on entrusted loan
 Applicable Not applicable
- (3) Other investment in wealth management and derivatives
 Applicable Not applicable

3. **Information on use of proceeds**

- (1) Information on use of proceeds in general
 Applicable Not applicable
- (2) Information on commitment of proceeds
 Applicable Not applicable
- (3) Information on changes in proceeds
 Applicable Not applicable

Report of the Board of Directors (continued)

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

(IV) Analysis of investment positions (Continued)

4. Analysis of major subsidiaries and investees

Unit: RMB'000

Name of subsidiary/investee	Principal operations	Registered		Total assets	Net assets	Net profit
		Capital	Shareholdings %			
Jingjiang Sanfeng Steel Processing & Distribution Co., Ltd. (靖江三峰鋼材加工配送有限公司)	Processing and distribution of steel products, manufacturing and sale of steelwork	70,000	72.86	73,860	71,047	37
Jingjiang CIS Huadong Trading Co., Ltd. (靖江重鋼華東商貿有限公司)	Sale of metal and metal ore, manufacturing and sale of environmental pollution prevention and control equipment, etc.	50,000	100	49,535	49,225	-1,092
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限公司)	Sale of metal and metal products, amongst others	10,000	100	10,762	-810	-262
Guizhou CIS Iron and Steel Sales Co., Ltd. (貴州重鋼鋼鐵銷售有限公司)	Sale of metal and metal products, amongst others	10,000	100	1,155	1,041	-851
Xi'an CIS Sales Co., Ltd. (西安重鋼銷售有限公司)	Sale of metal and metal products, amongst others	10,000	100	277	-2,451	-950
CISL High-Strength Cold-Rolled Steel Plate Ltd. (重慶重鋼高強冷軋板材有限公司)	Production and sale of steel products and by-products	1,470,270	90			

5. Information on capital other than fund raising proceeds

Applicable Not applicable

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

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

The Company convened the annual general meeting on 6 June 2016 and adopted the profit distribution plan for 2015 of the Company, that is:

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

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

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

Profit distribution and transfer of capital reserve to share capital with provident fund No

III. OTHER DISCLOSURE

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

Applicable Not applicable

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

Applicable Not applicable

Significant Events

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

Applicable Not applicable

(I) Litigation, arbitration and media-challenged matters disclosed in the interim announcement with no subsequent events

None

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

Applicable Not applicable

Unit: RMB

During the Reporting Period:

Suitor (sue)	Defendant (being sued)	Jointly and severally liable party	Category of the litigation and arbitration	Basic information on the litigation (arbitration)	Amount subject to the litigation (arbitration)	Provisions and relevant amount of the litigation (arbitration)	Progress of the litigation (arbitration)	Ruling and implication of the litigation (arbitration)	Implementation of ruling of the litigation (arbitration)
Nantong Dongjin New Energy Co., Ltd. (南通東錦新能源有限公司)	The Company	None	Litigation	Sales contract dispute, payment for goods RMB10,610,431.4	10,610,431.4	Interest counted from October 1, 2015 until when payment for goods is accomplished based on the benchmark rate of similar loan over the same period published by the People's Bank of China with RMB10,610,431.4 as the base. Litigation fee: RMB46,244; execution fee: RMB78,010	Executed	Account has been frozen	Being executed
Zoomlion Material Handling Equipment Co., Ltd. (中聯重科物料輸送設備有限公司)	The Company	None	Litigation	Sales contract dispute, payment for goods RMB15,456,680.01	17,384,256.81	Interest counted from 1 January 2014 until when payment for goods is accomplished based on the benchmark rate of similar loan over the same period published by the People's Bank of China with RMB15,456,680.01 as the base. Litigation fee: RMB126,106	Judged	The Company would pay interest and litigation fees, execution fees	Not executed yet
Chongqing Chishidun New Material Technology Co., Ltd. (重慶赤土盾新材料科技信有限公司)	The Company	None	Litigation	Sales contract dispute, payment for goods RMB10,613,281.1	1,061,328.11	Interest counted from 19 April 2016 until when payment for goods is accomplished based on the benchmark rate + 30% of similar loan over the same period published by the People's Bank of China with RMB10,613,281.1 as the base. Litigation fee: RMB40,403	Judged	The Company would pay interest and litigation fees, execution fees	Money for buying goods frozen by third-party court, not executed yet

Significant Events (Continued)

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

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

Suitor (sue)	Defendant (being sued)	Jointly and severally liable party	Category of the litigation and arbitration	Basic information on the litigation (arbitration)	Amount subject to the litigation (arbitration)	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)
Qinghua Refractories Co., Ltd. (遼寧青花耐火材料股份有限公司)	The Company	None	Litigation	Sales contract dispute, payment for goods RMB53,796,068	53,796,068.37	Interest and litigation fees temporarily unknown	Hearing in progress	Impact unknown	
USTB Hengxing High-Tech Co., Ltd. (北京科大恒興高技術有限公司)	The Company	None	Litigation	Sales contract dispute, payment for goods RMB21,455,548	24,155,548	Interest and litigation fees temporarily unknown	Hearing in progress	Impact unknown	
Jiangsu Huangjin Environmental Protection Technology Co., Ltd. (江蘇凰金環保科技有限公司)	The Company	None	Litigation	Creditor's rights transfer dispute, payment for goods RMB11,000,000	11,000,000	Interest and litigation fees temporarily unknown	Hearing in progress	Impact unknown	
Guangyuan Shifang Logistics Co., Ltd. (天津市廣緣十方物流有限公司)	The Company	None	Litigation	Sales contract dispute, payment for goods RMB10,278,938.66	10,278,938.66	Interest and litigation fees temporarily unknown	Hearing in progress	Impact unknown	
China National Erzhong Group (Deyang) Heavy Equipment Co., Ltd. (二重集團(德陽)重型裝備股份有限公司)	The Company	None	Litigation	Sales contract dispute, payment for goods RMB103,384,011.45	103,384,011.4	Interest and litigation fees temporarily unknown	Hearing in progress	Impact unknown	
Chongqing Tonghui Coal Washing, LLC (重慶通匯煤炭洗選有限責任公司)	The Company	None	Litigation	Sales contract dispute, payment for goods RMB77,982,611.3	77,982,611.3	Interest and litigation fees temporarily unknown	Hearing in progress	Impact unknown	

Significant Events (Continued)

II. BANKRUPTCY AND COMPOSITION RELATED ISSUES

Applicable Not applicable

III. ASSETS TRADING AND BUSINESS COMBINATION ISSUES

Applicable Not applicable

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

Applicable Not applicable

1. Mergers and Acquisitions

Scope of consolidation expanded

Company Name	Equity Acquisition Way	Equity Acquisition Time	Capital Contribution	Ratio of Contribution
CISL High-Strength Cold-Rolled Steel Plate Ltd. (重慶重鋼高強冷軋板材有限公司)	Newly established	2016.6	(Note)	

(Note): In June 2016, the Company established CISL High-Strength Cold-Rolled Steel Plate Ltd. together with POSCO. Its registered capital is RMB1,470,270,000, including RMB1,323,243,000 paid by the Company, accounting 90% of the registered capital. In July 2016, the Company paid RMB661,621,500 as the first contribution

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

Applicable Not applicable

Significant Events (Continued)

V. MATERIAL RELATED-PARTY TRANSACTIONS

Applicable Not applicable

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

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

Service and Supply Agreement

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

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

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

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

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

Service and Supply Agreement *(Continued)*

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

Significant Events (Continued)

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

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

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

Service and Supply Agreement *(Continued)*

4. Pricing basis of Service and Supply Agreement:

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

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

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

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

Service and Supply Agreement *(Continued)*

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

- (d) if no comparable market price is available, then choose the following methods, as appropriate, depending on the circumstances:
 - I. for products and services provided by the Parent Company to the Company, not higher than the open market price between independent parties on common normal commercial terms in the PRC,
 - II. for products and services provided to the Parent Company by the Company, no less favorable than the open market price between independent parties on common normal commercial terms in the PRC;
- (e) if no such PRC Government stipulated or guidance prices is available, and no open market price is available for such transactions, then the parties shall negotiate on normal commercial terms for such supply transactions based on the actual or reasonable costs of such transactions (whichever is lower) plus a reasonable profit.

Significant Events (Continued)

V. MATERIAL RELATED-PARTY TRANSACTIONS (Continued)

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

2. Issues not disclosed in the interim announcement

Applicable Not applicable

Unit: RMB'000

Party to the related-party transaction	Relationship	Type of related-party transaction	Substance of related-party transaction	Pricing principle of related-party transaction	Amount of related-party transaction	Percentage to the amount of transactions of the same class (%)
Chongqing Iron & Steel (Hong Kong) Company Limited (重慶鋼鐵(香港)有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Ore and coal	With reference to market price	238,140	19.02%
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Ore, coal and auxiliary materials	With reference to market price	194,808	14.33%
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Energy	With reference to market price	128,576	45.87%
CISL-CECEP Sanfeng Energy Company Limited (重慶中節能三峰能源有限公司)	Subsidiary controlled by the Parent Company	Purchase of products	Energy	With reference to market price	82,428	29.40%
Chongqing Iron & Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限責任公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Spare parts and labor	With reference to market price	53,246	20.19%
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Spare parts and labor	With reference to market price	45,004	17.06%

Significant Events (Continued)

V. MATERIAL RELATED-PARTY TRANSACTIONS (Continued)

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

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

Unit: RMB'000

Party to the related-party transaction	Relationship	Type of related-party transaction	Substance of related-party transaction	Pricing principle of related-party transaction	Amount of related-party transaction	Percentage to the amount of transactions of the same class (%)
Chongqing Iron & Steel Group Transport, LLC (重慶鋼鐵集團運輸有限責任公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Transport and labor	With reference to market price	28,984	13.84%
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Wholly-owned subsidiary of the Parent Company	Purchase of products	Spare parts and labor	With reference to market price	21,077	7.99%
Others	Others	Purchase of products		With reference to market price	33,720	
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of products	Energy and labor	With reference to market price	97,942	72.22%
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of products	Energy and steel product	With reference to market price	33,070	1.17%
CISL Steelwork Industry Company Limited (重慶鋼結構產業有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of products	Steel products	With reference to market price	29,738	1.11%
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of products	Energy	With reference to market price	14,413	10.71%
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Wholly-owned subsidiary of the Parent Company	Sale of products	Energy and steel product	With reference to market price	5,118	0.18%
CISL-CECEP San Feng Energy Company Limited (重慶中節能三峰能源有限公司)	Subsidiary controlled by the Parent Company	Sale of products	Energy	With reference to market price	4,814	3.58%
Others	Others	Sale of products		With reference to market price	6,397	

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

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

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

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

Note of the related-party transactions

Help guarantee the acquisition of steady, reliable service supply at a reasonable price; critical for us to maintain stable production, improve productivity and yield.

Significant Events (Continued)

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

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

None

1. Issues not disclosed in the interim announcement

Applicable Not applicable

(III) Material related party transaction of joint overseas investment

None

1. Issues not disclosed in the interim announcement

Applicable Not applicable

(IV) Related Credit and Debt Dealings

1. Issues not disclosed in the interim announcement

Applicable Not applicable

VI. MATERIAL CONTRACTS AND EXECUTION THEREOF

1 Custody, contracting and leasing

Applicable Not applicable

(1) Custody

Applicable Not applicable

(2) Contracting

Applicable Not applicable

Significant Events (Continued)

VI. MATERIAL CONTRACTS AND EXECUTION THEREOF (Continued)

1. Custody, contracting and leasing (Continued)

(3) Leasing

Applicable Not applicable

Unit: RMB'000

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Commencement date of lease	Expiry date of lease	Gain on lease	Basis of recognition of such gain	Implication of gain on lease on the Company	Related party transaction	Connected relations
CISL	CISL San Feng Industrial	Normal	460	2016.1.1	2016.6.30	11	Bank-in slip	Constitute other operating income	Yes	Wholly-owned subsidiary of the Parent Company
CISL	Xingang Changlong	Normal	737	2016.1.1	2016.6.30	18	Bank-in slip	Constitute other operating income	Yes	Subsidiary controlled by the Parent Company
CISL	CISL Mining	Normal	737	2016.1.1	2016.6.30	18	Bank-in slip	Constitute other operating income	Yes	Subsidiary controlled by the Parent Company
CISL	Chaoyang Gas	Normal	1,475	2016.1.1	2016.6.30	35	Bank-in slip	Constitute other operating income	Yes	Subsidiary controlled by the Parent Company
CISL	CISL Industrial	Normal	4,009	2016.1.1	2016.6.30	96	Bank-in slip	Constitute other operating income	Yes	Wholly-owned subsidiary of the Parent Company
CISL	CISL Transport	Normal	68	2016.1.1	2016.6.30	21	Bank-in slip	Constitute other operating income	Yes	Wholly-owned subsidiary of the Parent Company

Significant Events (Continued)

VI. MATERIAL CONTRACTS AND EXECUTION THEREOF (Continued)

1. Custody, contracting and leasing (Continued)

(3) Leasing (Continued)

Unit: RMB'000

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Commencement date of lease	Expiry date of lease	Gain on lease	Basis of recognition of such gain	Implication of gain on lease on the Company	Related party transaction	Connected relations
CISL	Chengdu CMJ	Normal	3,239	2016.1.1	2016.3.31	159.3	Bank-in slip	Constitute other operating income	No	Others
CISL	CISL-CECEP San Feng	Normal	830	2016.1.1	2016.6.30	40	Bank-in slip	Constitute other operating income	Yes	Others
CISL	Changshou District Fengcheng Neighborhood Gangcheng Washing Service Center	Normal	582	2016.1.1	2016.6.30	15	Bank-in slip	Constitute other operating income	Yes	Others
CISL	Changshou District FRJ Non-Staple Food Outlet	Normal	460	2016.1.1	2016.6.30	29.4	Bank-in slip	Constitute other operating income	No	Others
CISL	Chongqing Gangcheng Cleaning Service Co., Ltd.	Normal	601	2016.1.1	2016.6.30	38.4	Bank-in slip	Constitute other operating income	No	Others
CISL	Chongqing Zhanqin	Normal	131	2016.1.1	2016.6.30	10	Bank-in slip	Constitute other operating income	No	Others

Significant Events (Continued)

VI. MATERIAL CONTRACTS AND EXECUTION THEREOF (Continued)

2. Information on guarantee

Applicable Not applicable

Unit: RMB'000

External guarantees provided by the Company (excluding those for subsidiaries)													
Guarantor	Relationship between the guarantor and the Company	Guaranteed Party	Guarantee amount	Effective date of guarantee		Expiry date of the guarantee	Guarantee Type	Performance		Amount over due	Availability of counter guarantee	Guarantee provided to related party?	Related transaction
				(date of executing the agreement)	Inception date of the guarantee			completed or not	Over due or not				
CISL	Home office of the Company	San Feng Jingjiang Port Logistics, LLC	900,000	2012-4-17	2012-4-17	2024-8-3	JOINT AND SEVERAL GUARANTEE	No	No		Yes	Yes	Subsidiary controlled by the Parent Company

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

Total guarantee balance at the end of the Reporting Period (A)
(excluding those for subsidiaries) 784,294

Guarantees provided by the Company for subsidiaries

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

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

Total amount of guarantees (A+B) 784,294
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) 784,294
Amount of debt guarantees directly or indirectly provided for guaranteed parties with a gearing ratio exceeding 70% (D)
Amount of the total guarantees exceeding 50% of net assets (E)
Total amount of the above three guarantees (C+D+E) 784,294
Descriptions on outstanding guarantee which may subject to joint liability None
Description on guarantee None

Significant Events (Continued)

VII. COMPLIANCE WITH UNDERTAKINGS

Applicable Not applicable

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

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

Significant Events (Continued)

VII. COMPLIANCE WITH UNDERTAKINGS (Continued)

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

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

Significant Events (Continued)

VII. COMPLIANCE WITH UNDERTAKINGS (Continued)

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

Background	Category of undertaking	Undertaking Party	Substance	Time and period of undertaking	Subject to expiry or not	Timely and strict compliance
Undertakings in relation to the initial public offering	To address related party transactions	Chongqing Iron & Steel Group	As long as the shares of Chongqing Iron & Steel remain listed in any securities exchange in China or Hong Kong, and Chongqing Iron & Steel Group holds 30% or above of Chongqing Iron & Steel's issued shares, or deemed to be a controlling shareholder according to the requirements of the relevant security exchange or relevant laws, Chongqing Iron & Steel Group and its subsidiaries or any company that Chongqing Iron & Steel Group, directly or indirectly, makes equity participation in or exerts control over shall not engage in any business or activity in PRC or elsewhere overseas or otherwise (including but not limited to sole proprietorship, through joint operation, or owns shares or other interests in another company or enterprise) which competes or may compete with the reorganized business.	2 September 1997	No	Yes
Other Undertakings	Dividend	The Company	<ol style="list-style-type: none"> The Company shall implement proactive profit appropriation measures to guarantee reasonable investment return for the investors. The Company shall distribute its dividend by way of cash or a combination of cash and shares, and allow for interim distribution in light of its capital requirements. Subject to the satisfaction of capital requirement for normal production and operation of the Company, in the absence of (amongst others) material investment plan or the occurrence of significant cash expenditure, the profit distributed by way of cash by the Company each year shall be no less than 10% of the distributable profit realized during the current year, and shall follow the principle that the profit distributed cumulatively by way of cash in any three consecutive years shall not fall below 30% of the average annual distributable profit realized during the last three year. The Board of the Company shall put forward the annual profit distribution proposal and submit to the general meeting for voting after the end of each accounting year. If it is profitable for the year, and the Board does not put forward a proposal for distribution of profit by way of cash, the Board shall describe in detail the reasons for not distributing the dividend and the usage of the funds retained by the Company instead of distributing as dividend in the annual report of the current year, and the independent Directors shall issue and disclose to the public their independent opinion thereof. Where there is misappropriation of funds of the Company by any shareholder, the Company shall withhold the cash dividend of such shareholder for the repayment of their misappropriated funds. 	30 August 2012	No	Yes

VIII. APPOINTMENT AND REMOVAL OF ACCOUNTING FIRM

Applicable Not applicable

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

Applicable Not applicable

X. PARTICULARS OF CONVERTIBLE CORPORATE BONDS

Applicable Not applicable

XI. INFORMATION ON CORPORATE GOVERNANCE

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 of the Listing Rules as the code for trading of the Company’s securities by Directors. All Directors of the Company confirmed upon specific enquiries that they had complied with the required standards as set out in the Model Code for the six months ended 30 June 2016.

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

Significant Events (Continued)

XII. DESCRIPTION ON OTHER SIGNIFICANT EVENTS

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

Applicable Not applicable

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

Applicable Not applicable

(III) **Others**

1. Non-public issuance of shares

The Board of Directors adopted the Proposal on Non-Public Issuance of Shares to Specific Target Investors and other relevant proposals on September 9, 2015. According to the Proposal, the Company intended to issue at most 1,285,388,601 shares to eight subscribers including Chongqing Yufu Assets Management Co., Ltd. and Chongqing Municipal Energy Investment Group Co., Ltd. in the form of non-public issuance. CSRC received our application for non-public issuance of A shares on November 30, 2015. Subsequently, we submitted our reply to CRSC feedback and our 2015 Annual Report to CRSC.

The trading of the Company's A shares was suspended for material assets reorganisation since June 2, 2016. Such matter would result in non-compliance of this non-public issuance with conditions and requirements for a listed company's non-public issuance of shares stipulated in laws and regulations.

According to the above, the Board of Directors decided to terminate the non-public issuance of A shares on August 3, 2016, and applied to CRSC for stopping the review of the Company's application for non-public issuance of A shares submitted in 2015.

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

(III) Others *(Continued)*

2. **Major investment**

The Company and POSCO Corporation (hereinafter referred to as "POSCO") signed the Cold-Rolled and Galvanized Steel Joint Venture Cooperation Agreement for CISL-POSCO Cold-Rolled Plate Project and CISL-POSCO Galvanized Plate Project in Chongqing on August 6, 2015.

The Company and POSCO signed the joint venture agreement in relation to Chongqing Chonggang High Intensity Cold-Rolled Plate Co., Ltd between CISL and POSCO and the joint venture agreement in relation to Chongqing POSCO Chonggang Automotive Steel Co., Ltd between CISL and POSCO on April 6, 2016. Both parties have set up a joint venture in Chongqing, China in accordance with the terms and conditions of such contracts.

3. **Material assets reorganisation**

The Company published the announcement on suspension of trading of A shares regarding the plan for significant matter (announcement no.: 2016-025) on June 2, 2016 and announcement on suspension of trading of shares for material assets reorganisation (announcement no.: 2016-026) on June 4, 2016. Since the material assets reorganisation involves a large scale of assets and the demonstration of the plan is complicated, the Company is required to further communicate and negotiate with the parties concerned on the matters related to the material assets reorganisation. Various work is currently in progress and not finished yet. On August 22, 2016, the Resolution on Continuing Suspension of Trading of A Shares regarding Material Assets Reorganisation of the Company (《關於公司重大資產重組A股股票繼續停牌的議案》) has been considered and approved by the 61st written resolution of the seventh session of the Board of the Company, and will be submitted to the 2016 second extraordinary general meeting of the Company to be held on October 11, 2016 for consideration and approval. To prevent unusual fluctuation in the stock price of the Company due to uncertain information, the Company intended to apply for continuing suspension of trading of A shares commencing on September 2, 2016. It is expected that the trading of shares will be suspended for not more than 2 months.

Significant Events (Continued)

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

(III) **Others** *(Continued)*

4. Interim dividend

The Board of Directors does not recommend distribution of any interim dividend for the six months ended June 30, 2016.

5. Purchase, Sale and Redemption of Listed Securities of the Company

None of the Company and its subsidiaries purchased, sold or redeemed any listed securities of the Company in the Reporting Period.

6. Major acquisition and disposal of subsidiaries and affiliates

No major acquisition and disposal of subsidiaries and affiliates occurred during the Reporting Period.

7. Audit Committee

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

The unaudited interim financial report of the Group for the six months ended 30 June 2016 had been reviewed by the members of the Audit Committee on 30 August 2016 before submitting to the Board for approval.

Movement of Shares and the Particulars of Shareholders

I. INFORMATION ON CHANGES IN SHARE CAPITAL

(I) Table of movement of shares

1. Table of movement of shares

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

(II) Information on Changes in Lock-up Shares

Applicable Not applicable

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of shareholders as of the end of the Reporting Period 174,032

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

Movement of Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (Continued)

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

Unit: share

Name of shareholder (full name)	Change during the Reporting Period	Shareholdings of top 10 shareholders		Number of shares held with trading limitations	Pledged or frozen	Nature of Shareholder	
		Shareholdings as of the end of the period	Percentage (%)				
Chongqing Iron & Steel (Group) Co., Ltd.	0	2,096,981,600	47.27	1,996,181,600	Pledged	1,009,700,000	State-owned legal person
HKSCC NOMINEES LIMITED	-20,430	530,103,540	11.95	0	Unknown		Foreign legal person
Central Huijin Assets Management, LLC (中央匯金資產管理有限責任公司)	0	93,284,800	2.1	0	Unknown		Unknown
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	0	39,352,886	0.89	0	Unknown		Unknown
WU Zhaomei	29,336,217	29,336,217	0.66	0	Unknown		Domestic natural person
Bosera Funds – ABC – Bosera China Securities Financial Assets Management Plan (博時基金 – 農業銀行 – 博時中證金融資產管理計劃)	0	23,900,800	0.54	0	Unknown		Unknown
Dacheng Funds – ABC – Dacheng China Securities Financial Assets Management Plan (大成基金 – 農業銀行 – 大成中證金融資產管理計劃)	0	23,900,800	0.54	0	Unknown		Unknown
ICBCCS Funds – ABC – ICBCCS China Securities Financial Assets Management Plan (工銀瑞信基金 – 農業銀行 – 工銀瑞信中證金融資產管理計劃)	0	23,900,800	0.54	0	Unknown		Unknown
GF Funds – ABC – GF China Securities Financial Assets Management Plan (廣發基金 – 農業銀行 – 廣發中證金融資產管理計劃)	0	23,900,800	0.54	0	Unknown		Unknown
Huaxia Funds – ABC – Huaxia China Securities Financial Assets Management Plan (華夏基金 – 農業銀行 – 華夏中證金融資產管理計劃)	0	23,900,800	0.54	0	Unknown		Unknown

Movement of Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (Continued)

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

Shareholdings of Top Ten Shareholders Without Trading Limitations			
Name of shareholder	Shareholdings of tradable shares without trading limitations	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED	530,103,540	Domestic listed foreign share	530,103,540
Chongqing Iron & Steel (Group) Co., Ltd	100,800,000	RMB denominated ordinary shares	100,800,000
Central Huijin Assets Management, LLC	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
WU Zhaomei	29,336,217	RMB denominated ordinary shares	29,336,217
Bosera Funds – ABC – Bosera China Securities Financial Assets Management Plan	23,900,800	RMB denominated ordinary shares	23,900,800
Dacheng Funds – ABC – Dacheng China Securities Financial Assets Management Plan	23,900,800	RMB denominated ordinary shares	23,900,800
ICBCCS Funds – ABC – ICBCCS China Securities Financial Assets Management Plan	23,900,800	RMB denominated ordinary shares	23,900,800
GF Funds – ABC – GF China Securities Financial Assets Management Plan	23,900,800	RMB denominated ordinary shares	23,900,800
Huaxia Funds – ABC – Huaxia China Securities Financial Assets Management Plan	23,900,800	RMB denominated ordinary shares	23,900,800

Movement of Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (Continued)

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

Description on the related relationship or acts in concert of the above shareholders	There is no related relationship between the parent company and the other 9 shareholders and they are not parties acting in concert as stipulated in Administrative Measures for Management of Information Disclosure of Changes in Shareholdings of Shareholders of Listed Companies. The Company is also not aware of whether there is any related relationship among the other 9 shareholders or whether they are parties acting in concert.
Descriptions on the preferential shareholders with resumed voting rights and shareholding	Nil

Unit: shares

Shareholdings and Trading Limitations of Top Ten Shareholders with Trading Limitations					
No.	Name of shareholder with trading limitations	Shareholdings of shares with trading limitations	Information on tradable time when shares with trading limitations		
			Tradable time	Number of tradable new share	Trading limitations
1	Chongqing Iron & Steel (Group) Co., Ltd	1,996,181,600	25 November 2016	0	New shares under material asset reorganization which are subject to 36 months of lock-up period

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

Applicable Not applicable

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

Applicable Not applicable

Information on Preference Shares

Applicable

Not applicable



Information on Directors, Supervisors and Senior Management

I. INFORMATION ON CHANGES IN SHAREHOLDINGS

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Information on Corporate Bonds

Applicable Not applicable

I. CORPORATE BOND OVERVIEW

Unit: 100 million Currency: RMB

Bond Name	Abbreviation	Date Code of Issue	Date of Issue	Due Date	Bond Balance	Interest Rate	Interest Payment	Principal and Exchange Place
CISL Corporate Bond 2010	CISL Bond 10	122059	December 9, 2010	December 9, 2017	20.00	6.20%	Pay interest annually, and the principal on the due date	Shanghai Stock Exchange

Notes to Corporate Bonds:

The annual coupon rate for such bonds remained unchanged at 6.20% for the first 5 years (December 9, 2010 to December 8, 2015); we opted not to raise the coupon rate at the end of the 5th year (unchanged at 6.20%), and the rate would remain unchanged in the last 2 years (December 9, 2015 to December 8, 2017).

II. CORPORATE BOND TRUSTEE AND CREDIT RATING AGENCY CONTACTS

Bond trustee	Name	China Merchants Securities Co., Ltd.
	Office Address	F38-45, Suite A, Jiangsu Building Yitian Road, Futian District, Shenzhen
	Attn.	Li Jian
	Tel	0755-82943256
Credit rating agency	Name	China Chengxin Securities Credit Rating Co., Ltd.
	Office Address	F4, Jinyang Building, 26 Financial Street, Xicheng District, Beijing

Note:

None

Information on Corporate Bonds (Continued)

III. USE OF FUNDS RAISED WITH CORPORATE BONDS

Funds raised with CISL Bond 10 were RMB2 billion and used in 2011 for the purposes stated in the prospectus.

IV. CORPORATE BOND CREDIT RATING AGENCY

The Bond was rated by China Chengxin Securities Credit Rating Co., Ltd. Our long-term credit rating was rated as AA and the Bond was rated as AA+; China Chengxin gave AA- with negative outlook to our long-term credit rating and AAA to current corporate bond credit rating on April 29, 2016.

V. CORPORATE BOND CREDIT ENHANCEMENT MECHANISMS, DEBT REPAYMENT PLANS AND RELATED INFORMATION

Our corporate bond credit enhancement mechanisms, debt repayment plans and other debt repayment safeguards remained unchanged in the Reporting Period, as promised in the prospectus. We paid the interest for CISL Bond 10 as scheduled on December 9, 2015.

VI. BONDHOLDER MEETINGS

During the Reporting Period, we did not hold any bondholder meetings.

VII. CORPORATE BOND TRUSTEE'S PERFORMANCE OF DUTIES

The bond trustee performed its duties as agreed on during the Reporting Period.

Information on Corporate Bonds (Continued)

VIII. FINANCIAL HIGHLIGHTS ENDED THE REPORTING PERIOD/LAST YEAR (OR IN REPORTING PERIOD/THE SAME PERIOD LAST YEAR)

Unit: RMB

Key Indicator	End of Current Reporting Period	End of Last Year	Change over the End of Last Year (%)	Cause
Current ratio	0.16	0.19	-15.97	
Quick ratio	0.06	0.07	-3.94	
Asset-liability ratio	94.15%	89.78%	4.37	
Loan repayment ratio	100%	100%	100%	

	Current Report Period (January–June)	Same Period Last Year	Change over the Same Period Last Year (%)	Cause
Interest coverage	100%	100%	100%	

IX. CASHING OF INTEREST FOR OTHER BONDS AND DEBT FINANCING INSTRUMENTS

None

X. PERFORMANCE OF AGREEMENTS OR COMMITMENTS INVOLVED IN OUR BOND PROSPECTUS DURING THE REPORTING PERIOD

During the Reporting Period, the Company always performed agreements and commitments associated with the corporate bond prospectus, used the funds raised legally, and paid corporate bond interest on time with no harm to bond investors' interests.

Consolidated Balance Sheet

As at 30 June 2016

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Assets	Notes	As at 30 June 2016	As at 31 December 2015
Current assets:			
Cash and bank deposits	1	892,742	925,471
Notes receivable	2	19,821	45,863
Accounts receivable	3	491,459	503,202
Prepayments	4	64,974	39,924
Other receivables	5	49,009	40,376
Inventories	6	2,210,876	2,775,858
Other current assets	7	21,652	501
Total current assets		3,750,533	4,331,195
Non-current assets:			
Available-for-sale financial assets	8	5,000	5,000
Long-term equity investments	9		
Fixed assets	10	29,688,403	30,306,394
Construction in progress	11	126,281	128,949
Construction materials	12	17,578	10,651
Intangible assets	13	2,680,424	2,712,264
Other non-current assets	14	1,668,383	1,733,626
Total non-current assets		34,186,069	34,896,884
Total assets		37,936,602	39,228,079

Consolidated Balance Sheet (Continued)

As at 30 June 2016

Liabilities and shareholders' equities	Notes	As at 30 June 2016	As at 31 December 2015
Current liabilities:			
Short-term borrowings	15	5,100,999	3,492,152
Notes payable	16	2,617,085	3,663,417
Accounts payable	17	10,501,527	10,532,063
Receipts in advance	18	612,754	653,721
Employee benefits payable	19	380,928	311,835
Tax payable	20	7,408	8,679
Interests payable	21	82,779	30,900
Other payables	22	3,461,549	2,702,833
Non-current liabilities due within one year	23	1,139,015	1,796,250
Other current liabilities	24	11,913	15,054
Total current liabilities		23,915,957	23,206,904
Non-current liabilities:			
Long-term borrowings	25	9,630,436	9,849,988
Debentures payable	26	1,990,939	1,987,882
Deferred income	27	180,694	175,158
Total non-current liabilities		11,802,069	12,013,028
Total liabilities		35,718,026	35,219,932

Consolidated Balance Sheet (Continued)

As at 30 June 2016

Liabilities and shareholders' equities	<i>Notes</i>	As at 30 June 2016	As at 31 December 2015
Shareholders' equity:			
Share Capital	28	4,436,023	4,436,023
Capital reserve	29	6,658,376	6,657,614
Other comprehensive income			
Special reserve	30		
Surplus reserve	31	606,991	606,991
Retained earnings	32	-9,502,098	-7,711,755
Total equity attributable to shareholders of the parent company		2,199,292	3,988,873
Non-controlling interest		19,284	19,274
Total shareholders' equity		2,218,576	4,008,147
Total liabilities and shareholders' equities		37,936,602	39,228,079

Legal Representative:

*The person in charge of
accounting body:*

*The head of the accounting
department:*

Balance Sheet of the Parent Company

As at 30 June 2016

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Assets	<i>Notes</i>	As at 30 June 2016	As at 31 December 2015
Current assets:			
Cash and bank deposits		892,153	921,703
Notes receivable		18,921	45,165
Accounts receivable	1	488,709	485,739
Prepayments		53,352	27,440
Other receivables	2	48,904	40,228
Inventories		2,210,409	2,775,485
Other current assets		21,240	
Total current assets		3,733,688	4,295,760
Non-current assets:			
Available-for-sale financial assets		5,000	5,000
Long-term equity investments	3	101,000	101,000
Fixed assets		29,678,844	30,296,557
Construction in progress		126,281	128,949
Construction materials		17,578	10,651
Intangible assets		2,680,424	2,712,264
Other non-current assets		1,608,361	1,672,227
Total non-current assets		34,217,488	34,926,648
Total assets		37,951,176	39,222,408

Balance Sheet of the Parent Company (Continued)

As at 30 June 2016

Liabilities and shareholders' equities	Notes	As at 30 June 2016	As at 31 December 2015
Current liabilities:			
Short-term borrowings		5,100,999	3,492,152
Notes payable		2,617,085	3,663,417
Accounts payable		10,546,453	10,565,822
Receipts in advance		602,615	638,035
Employee benefits payable		380,858	311,776
Tax payable		7,402	7,902
Interests payable		82,779	30,900
Other payables		3,458,467	2,700,097
Non-current liabilities due within one year		1,139,015	1,796,250
Other current liabilities		11,913	15,054
Total current liabilities		23,947,586	23,221,405
Non-current liabilities:			
Long-term borrowings		9,630,436	9,849,988
Debentures payable		1,990,939	1,987,882
Deferred income		180,694	175,158
Total non-current liabilities		11,802,069	12,013,028
Total liabilities		35,749,655	35,234,433

Balance Sheet of the Parent Company (Continued)

As at 30 June 2016

Liabilities and shareholders' equities	<i>Notes</i>	As at 30 June 2016	As at 31 December 2015
Shareholders' equity:			
Share Capital		4,436,023	4,436,023
Capital reserve		6,689,319	6,688,557
Other comprehensive income			
Special reserve			
Surplus reserve		577,012	577,012
Retained earnings		-9,500,833	-7,713,617
Total shareholder's equity		2,201,521	3,987,975
Total liabilities and shareholders' equities		37,951,176	39,222,408

Legal Representative:

*The person in charge of
accounting body:*

*The head of the accounting
department:*

Consolidated Income Statement

For the six months ended 30 June 2016

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Items	Notes	Current period cumulative	Preceding period comparative
I. Total operating revenue		2,789,412	4,505,619
Including: Operating revenue	1	2,789,412	4,505,619
II. Total operating costs		4,696,895	6,728,873
Including: Operating costs	1	3,432,699	5,599,926
Business taxes and surcharges		177	478
Selling expenses		105,105	118,000
Administrative expenses		601,693	383,116
Financial expenses		543,734	627,353
Impairment losses on assets	2	13,487	
Add:			
Gains from changes in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")			
Including: Gains from investment in associates and joint ventures			
Gains on foreign exchange (losses are represented by "-")			
III. Operating profit (losses are represented by "-")		-1,907,483	-2,223,254
Add: Non-operating income	3	117,169	2,109
Including: Gains on disposal of non-current assets	3	12	
Less: Non-operating expenses	4	7	6,359
Including: Losses on disposal of non-current assets			
IV. Profit before income tax (losses are represented by "-")		-1,790,321	-2,227,504
Less: Income tax expenses	5	12	41
V. Net profit for the year (net losses are represented by "-")		-1,790,333	-2,227,545
Net profit attributable to the shareholders of the parent company		-1,790,343	-2,227,578
Non-controlling interests		10	33

Consolidated Income Statement (Continued)

For the six months ended 30 June 2016

Items	Notes	Current period cumulative	Preceding period comparative
VI. Other comprehensive income after tax			
Other comprehensive income after tax attributable to shareholders of the parent company			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Changes in remeasurement on the net defined benefit liability/asset			
2. Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method			
2. Profit or loss arising from changes in fair value of available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale assets			
4. Effective hedging portion of profit or loss arising from cash flow hedging instruments			
5. Translation difference arising on translation of foreign currency financial statements			
6. Others			
Other comprehensive income after tax attributable to non-controlling interests			
VII. Total comprehensive income		-1,790,333	-2,227,545
Total comprehensive income attributable to shareholders of the parent company		-1,790,343	-2,227,578
Total comprehensive income attributable to non-controlling interests		10	33
VIII. Earnings per share:			
(1) Basic earnings per share (yuan/share)		-0.40	-0.50
(2) Diluted earnings per share (yuan/share)		-0.40	-0.50

Legal Representative:

The person in charge of
accounting body:

The head of the accounting
department:

Income Statement of the Parent Company

For the six months ended 30 June 2016

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Items	Notes	Current period cumulative	Preceding period comparative
I. Operating revenue	1	2,580,184	4,277,875
Less: Operating costs	1	3,225,770	5,376,947
Business taxes and surcharges		141	432
Selling expenses		100,533	114,415
Administrative expenses		600,908	381,513
Financial expenses		543,730	627,366
Impairment losses on assets		13,487	
Add: Gains from changes in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")			1,279
Including: Gains from investment in associates and joint ventures			
II. Operating profit (losses are represented by "-")		-1,904,385	-2,221,519
Add: Non-operating income		117,169	2,109
Including: Gains on disposal of non-current assets		12	
Less: Non-operating expenses			6,327
Including: Losses on disposal of non-current assets			
III. Profit before income tax (losses are represented by "-")		-1,787,216	-2,225,737
Less: income tax expenses			
IV. Net profit for the year (net losses are represented by "-")		-1,787,216	-2,225,737

Income Statement of the Parent Company (Continued)

For the six months ended 30 June 2016

Items	Notes	Current period cumulative	Preceding period comparative
V. Other comprehensive income after tax			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Changes in remeasurement on the net defined benefit liability/asset			
2. Share of other comprehensive income of investees the will not be reclassified to profit or loss under equity method			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method			
2. Profit or loss arising from changes in fair value of available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale assets			
4. Effective hedging portion of profit or loss arising from cash flow hedging instruments			
5. Translation difference arising on translation of foreign currency financial statements			
6. Others			
VI. Total comprehensive income		-1,787,216	-2,225,737
VII. Earnings per share:			
(1) Basic earnings per share (<i>yuan/share</i>)			
(2) Diluted earnings per share (<i>yuan/share</i>)			

Legal Representative:

The person in charge of
accounting body:

The head of the accounting
department:

Consolidated Cash Flow Statement

For the six months ended 30 June 2016

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Items	Notes	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,658,721	6,134,353
Other cash receipts related to operating activities		8,189,127	105
Sub-total of cash inflows from operating activities		9,847,848	6,134,458
Cash payments for goods purchased and services rendered		1,751,081	6,303,571
Cash payments to and on behalf of employees		357,979	499,700
Payments of various types of taxes		61,207	50,941
Other cash payments related to operating activities		8,134,542	11,575
Sub-total of cash outflows from operating activities		10,304,809	6,865,787
Net cash flows from operating activities		-456,961	-731,329
II. Cash flows from investing activities:			
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets			355,486
Net cash receipts from disposal of subsidiaries and other operating entities			
Other cash receipts related to investing activities			12,381
Sub-total of cash inflows from investment activities			367,867
Cash payments for acquisition and construction of fixed assets, intangible assets and other long-term assets		141,630	293,315
Sub-total of cash outflows from investment activities		141,630	293,315
Net cash flows from investing activities		-141,630	74,552

Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2016

Items	Notes	Current period cumulative	Preceding period comparative
III. Cash flows from financing activities:			
Cash received from borrowings		4,075,065	3,120,380
Other cash receipts related to financing activities		1,709,978	
Sub-total of cash inflows from financing activities		5,785,043	3,120,380
<hr style="border-top: 1px dashed #000;"/>			
Repayment of borrowings		2,810,496	1,222,174
Cash payments for distribution of dividends or profits, or interests		354,391	518,624
Including: Dividends and profits paid by subsidiaries to non-controlling shareholders of subsidiaries			
Other cash payments related to financing activities		1,820,825	508,097
Sub-total of cash outflows from financing activities		4,985,712	2,248,895
<hr style="border-top: 1px dashed #000;"/>			
Net cash flows from financing activities		799,331	871,485
<hr style="border-top: 1px dashed #000;"/>			
IV. Effect of changes in foreign exchange rate on cash and cash equivalents			-5,328
<hr style="border-top: 1px dashed #000;"/>			
V. Net increase in cash and cash equivalents		200,740	209,380
Add: Cash and cash equivalents at the beginning of the period		32,376	146,148
<hr style="border-top: 1px dashed #000;"/>			
VI. Cash and cash equivalents at the end of the period		233,116	355,528
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Legal Representative:

The person in charge of
accounting body:

The head of the accounting
department:

Cash Flow Statement of the Parent Company

For the six months ended 30 June 2016

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Items	Notes	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,411,430	5,819,802
Other cash receipts related to operating activities		8,181,618	105
Sub-total of cash inflows from operating activities		9,593,048	5,819,907
<hr/>			
Cash payments for goods purchased and services rendered		1,506,079	5,989,791
Cash payments to and on behalf of employees		356,429	498,231
Payments of various types of taxes		61,008	49,201
Other cash payments related to operating activities		8,123,315	11,562
Sub-total of cash outflows from operating activities		10,046,831	6,548,785
Net cash flows from operating activities		-453,783	-728,878
<hr/>			
II. Cash flows from investing activities:			
Cash received from investment income			1,279
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets			355,486
Net cash receipts from disposal of subsidiaries and other operating entities			
Other cash receipts related to investing activities			12,362
Sub-total of cash inflows from investment activities			369,127
<hr/>			
Cash payments for acquisition and construction of fixed assets, intangible assets and other long-term assets		141,630	290,936
Sub-total of cash outflows from investment activities		141,630	290,936
Net cash flows from investing activities		-141,630	78,191

Cash Flow Statement of the Parent Company (Continued)

For the six months ended 30 June 2016

Items	Notes	Current period cumulative	Preceding period comparative
III. Cash flows from financing activities:			
Cash received from borrowings		4,075,065	3,120,380
Other cash receipts related to financing activities		1,709,978	
Sub-total of cash inflows from financing activities		5,785,043	3,120,380
<hr style="border-top: 1px dashed #004a87;"/>			
Repayment of borrowings		2,810,496	1,222,174
Cash payments for distribution of dividends or profits, or interests		354,391	518,624
Other cash payments related to financing activities		1,820,825	508,097
Sub-total of cash outflows from financing activities		4,985,712	2,248,895
Net cash flows from financing activities		799,331	871,485
<hr style="border-top: 1px dashed #004a87;"/>			
IV. Effect of changes in foreign exchange rate on cash and cash equivalents			-5,328
<hr style="border-top: 1px dashed #004a87;"/>			
V. Net increase in cash and cash equivalents		203,918	215,470
Add: Cash and cash equivalents at the beginning of the period		28,608	138,168
VI. Cash and cash equivalents at the end of the period		232,526	353,638

Legal Representative:

The person in charge of
accounting body:

The head of the accounting
department:

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2016

Expressed in RMB thousand yuan

Compilation Organization: Chongqing Iron & Steel Company Limited

Items	Current period cumulative					Preceding period comparative											
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Non-controlling interest	Total shareholders' equity	Share capital	State capital reserve	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Non-controlling interest	Total shareholders' equity
I. Closing balance of the preceding 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	9,983,126
II. Opening balance of 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	9,983,126
III. Changes in the current period (decrease are represented by "-")																	
(I) Total comprehensive income		762			-1,790,343	10	-1,789,571	433							-2,227,578	33	-2,227,112
(II) Shareholders' contribution and reduction in share capital		762					762	433									433
4. Others		762					762	433									433
(III) Profit distribution																	
(IV) Transfers within shareholders' equity																	
(V) Special reserve					9,368		9,368							8,534			8,534
1. Accrued in the current period					9,368		9,368							8,534			8,534
2. Utilized in the current period																	
(VI) Others																	
IV. Closing balance of the current period	4,436,023	6,658,376			606,991	-9,502,088	19,284	2,218,576	4,436,023		6,655,840			606,991	-3,952,085	19,245	7,766,014

Legal Representative:

The person in charge of accounting body:

The head of the accounting department:

Statement of Changes in Shareholders' Equity of the Parent Company

For the six months ended 30 June 2016

Compilation Organization: Chongqing Iron & Steel Company Limited

Expressed in RMB thousand yuan

Items	Current period cumulative					Preceding period comparative								
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Closing balance of the preceding year	4,436,023	6,688,557			577,012	-7,713,617	3,987,975	4,436,023	6,686,350			577,012	-1,727,922	9,971,463
II. Opening balance of the current year	4,436,023	6,688,557			577,012	-7,713,617	3,987,975	4,436,023	6,686,350			577,012	-1,727,922	9,971,463
III. Changes in the current period (decrease are represented by "-")														
(I) Total comprehensive income		762				-1,787,216	-1,786,454		433				-2,225,737	-2,225,304
(II) Shareholders' contribution and reduction in share capital						-1,787,216	-1,787,216						-2,225,737	-2,225,737
4. Others							762							433
(III) Profit distribution														433
(IV) Transfers within shareholders' equity														
(V) Special reserve					9,368		9,368					8,534		8,534
1. Accrued in the current period														
2. Utilized in the current period														
(VI) Others														
IV. Closing balance of the current period	4,436,023	6,689,219			577,012	-9,500,833	2,201,521	4,436,023	6,686,783			577,012	-3,953,659	7,746,159

Notes to the Financial Statements

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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) (GuoZi 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 RMB4,436,023,000 and the sum of shares of RMB4,436,023,000 (RMB1 for each share in face value), including 1,996,182,000 A shares with restricted conditions, 1,901,714,000 A shares without any restricted condition, and 538,127,000 H shares. The Company’s shares were listed in the Stock Exchange of Hong Kong Ltd. on 17 October 1997, and listed in Shanghai Stock Exchange on 28 February 2007.

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

The Company incorporated the following six subsidiaries into the scope of the consolidated financial statement in the current period: Guizhou CIS Iron and Steel Sales Co., Ltd.; JingjiangSanfeng Steel Processing & Distribution Co., Ltd.; Jingjiang CIS Huadong Trading Co., Ltd.; Xi’an CIS Sales Co., Ltd.; Chongqing CIS Building Materials Sales Co., Ltd.; and Chongqing CISL High Strength Cold Rolling Steel Co., Ltd.. Refer to “Notes to the Financial Statements – Change of the consolidation scope and Interest in their entities for details” for details.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

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

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

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 30 June 2017 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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 gave 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.

(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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

(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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 equity instrument investments without any quotation in the active market and whose fair value cannot be reliably measured and 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.

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 "CASBE 13 – Contingencies"; 2) the surplus after accumulative amortization as determined according to "CASBE 14 – Revenues".

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

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

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.

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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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;
- (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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

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

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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.
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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.
--	--

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 Portfolio grouped with age Related party receivables	Provision methods for bad debts in group Aging analysis method 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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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.

2. Accounting method for dispatching inventories

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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Inventories (Continued)

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.

(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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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.

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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

(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) 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.

- 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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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%

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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

(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 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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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.

(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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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 include 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.

- (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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Employee benefits (Continued)

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.

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) Accrued liability

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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Revenue

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.

(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: the revenue amount can be reliably measured; relevant economic benefits may flow into the Company; the transaction completion progress can be reliably determined; and 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: relevant economic benefits may flow into the Company; and 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: the Company has already delivered the products to the acquirer according to the contract agreement; the revenue amount has been recognized; the payment for goods has been received, or the receipt voucher has been obtained, and relevant economic benefits may flow into the Company; and relevant product costs can be reliably measured.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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.
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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 (XXII) “Deferred tax assets and deferred tax liabilities” of Notes to the 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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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	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.	25%
Jingjiang CIS Huadong Trading Co., Ltd.	25%
Guizhou CIS Iron and Steel Sales Co., Ltd.	25%
Xi'an CIS Sales Co., Ltd.	25%
Chongqing CIS Building Materials Sales Co., Ltd.	25%
Chongqing CISL High Strength Cold Rolling Steel Co., Ltd.	25%

(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, the *Announcement on Corporate Income Tax Pertaining to Deep Implementation of Western Development Strategy* (Announcement of the State Administration of Taxation [2012] No. 12) issued by the State Administration of Taxation ("SAT") in respect of the extension of preferential tax policies pertaining to China's western development, "companies located in the western region that fall into the catalogue of encouraged industries are subject to a reduced Corporate Income Tax rate of 15% from 1 January 2011 to 31 December 2020". The Company anticipates that it is most likely that such preferential policy will continue in the future, thus in this year, the Company's tax rates and preferential tax policies remain unchanged as compared to last year.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(I) Notes to items in consolidated balance sheets

1. Cash and bank deposits

(1) Details

Items	Closing balance	Opening balance
Cash on hand	1,997	1,419
Bank deposits	292,217	91,149
Other monetary funds	598,528	832,903
Total	892,742	925,471

(2) Other descriptions

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

2. Notes receivable

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Bank acceptance	19,821		19,821	45,863		45,863
Total	19,821		19,821	45,863		45,863

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

2. Notes receivable (Continued)

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

Items	Amount derecognized at the end of the period	Amount remained recognized at the end of the period
Bank acceptance	2,172,765	
Sub-total	2,172,765	

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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 on categories

Categories	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	153,935	24	7,923	5	146,012
Receivables with provision made on a collective basis using portfolios with similar credit risk features	494,507	76	149,060	30	345,447
Receivable of individually insignificant amount but with provision made on an individual basis	2,756		2,756	100	
Total	651,198	100	159,739	25	491,459

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 on categories (Continued)

Categories	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	153,935	24	7,923	5	146,012
Receivables with provision made on a collective basis using portfolios with similar credit risk features	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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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	Provision for bad debts	Provision proportion (%)	Reasons for provision made
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 portfolios, accounts receivable with provision made on a collective basis with aging analysis method

Ages	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Within 3 months (third month inclusive)	134,212		
4-12 months (first year inclusive)	170,037	8,502	5
1-2 years	9	2	25
2-3 years	3,398	1,699	50
Over 3 years	138,857	138,857	100
Sub-total	446,513	149,060	33

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 portfolios, accounts receivable with provision made on a collective basis with other method

Portfolios	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Accounts receivable of related parties	47,994		
Sub-total	47,994		

(2) Aging Analysis

Ages	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Within 3 months (third month inclusive)	160,995		
4-12 months (first year inclusive)	176,202	8,502	5
1-2 years	11,083	2	
2-3 years	3,905	1,699	44
Over 3 years	299,013	149,536	50
Total	651,198	159,739	25

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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, collected or reversed for the period

An amount of RMB13,487,000 was withdrawn as bad debt provision and no provision for bad debts were collected or reversed 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 period is RMB382,028,000, representing 59% of the total accounts receivable, and the provision of bad debts is RMB12,751,000.

4. Prepayments

- (1) Aging Analysis

Ages	Closing balance			Opening balance				
	Book balance	Proportion (%)	Provision for bad debts	Carrying amount	Book balance	Proportion (%)	Provision for bad debts	Carrying amount
Within 1 year	57,760	89		57,760	33,641	84		33,641
1-2 years	3,803	6		3,803	2,167	5		2,167
2-3 years	1,882	3		1,882	1,095	3		1,095
Above 3 years	1,529	2		1,529	3,021	8		3,021
Total	64,974	100		64,974	39,924	100		39,924

- (2) Five largest prepayments by debtor

The subtotal of five largest prepayments of the Company at the end of the period is RMB55,424,000, representing 85% of the total prepayments.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 on categories

Categories	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	15,827	24	15,827	100	
Other receivables that were not impaired upon separate impairment test	49,009	74			49,009
Receivable of individually insignificant amount but with provision made on an individual basis	1,131	2	1,131	100	
Total	65,967	100	16,958	26	49,009

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 on categories (Continued)

Categories	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
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

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	Provision for bad debts	Percentage (%)	Reasons for provision made
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
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
Sub-total	15,827	15,827		

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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
Payment on account	28,110	26,270
Guarantee deposits and petty cash	28,008	19,084
Others	9,849	11,980
Total	65,967	57,334

(3) Five largest other receivables by debtor

The subtotal of five largest other receivables of the Company at the end of the period is RMB28,888,000, representing 44% of the total other receivables, and the provision of bad debts is RMB16,958,000.

6. Inventories

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Raw material	1,182,221	158,027	1,024,194	1,531,485	158,027	1,373,458
Work-in-progress	844,595	309,994	534,601	1,059,771	309,994	749,777
Finished goods	171,908	36,619	135,289	183,791	36,619	147,172
Consumables	556,907	40,115	516,792	545,566	40,115	505,451
Total	2,755,631	544,755	2,210,876	3,320,613	544,755	2,775,858

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 decline in value of inventories

1) Details

Items	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Reversal or written-off	Others	
Raw material	158,027					158,027
Work-in-progress	309,994					309,994
Finished goods	36,619					36,619
Consumables	40,115					40,115
Sub-total	544,755					544,755

2) Determination basis of net realizable value and reasons for the reversal or written-off of provision for decline in value of inventories

Items	Determination basis for provision for decline in value	Reasons for the reversal or the write-off of provision for decline in value of inventories in the current period
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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

7. Other current assets

Items	Closing balance	Opening balance
Prepaid taxes	21,240	
VAT to be deducted	412	501
Total	21,652	501

8. Available-for-sale financial assets

(1) Details

Items	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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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	Opening balance	Book balance		Closing balance
		Increase	Decrease	
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	Opening balance	Provision for impairment		Closing balance	Shareholding proportion in investees (%)	Cash dividend in current period
		Increase	Decrease			
Xiamen Shipbuilding Industry Co., Ltd (廈門船舶重工股份有限公司)					2	
Sub-total						

9. Long-term equity investments

(1) Categories

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in joint ventures						
Total						

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

9. Long-term equity investments (Continued)

(2) Details

Investees	Opening balance	Investments increased	Investments decreased	Increase/decrease	
				Investment income recognized under equity method	Adjustment in other comprehensive income

Joint ventures
Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司) (Note)

Total

Investees	Changes in other equity	Increase/decrease			Closing balance	Closing balance of provision for impairment
		Cash dividend/profit declared for distribution	Provision for impairment	Others		

Joint ventures
Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司) (Note)

Total

(Note): In June 2016, the Company and POSCO Korea Co., Ltd. (韓國株式會社POSCO) jointly funded Chongqing POSCO CISL automotive steel Co., Ltd. (重慶浦項重鋼汽車板有限公司). The registered capital of Chongqing POSCO CISL automotive steel Co., Ltd is RMB532.31 million, and the Company contributes RMB260.8319 million subscribed capital which occupies 49% of the registered capital. In July 2016, the Company conducted the initial payment with the amount of RMB130.416 million.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

10. Fixed assets

(1) Details

Items	Buildings and structures	Machinery and other equipment	Transport facilities	Total
Cost				
Opening balance	13,197,761	21,349,901	21,724	34,569,386
Increase	467,757	-462,048	145	5,854
1) Purchase				
2) Transfer in from construction in progress	428	5,281	145	5,854
3) Assets reclassification	467,329	-467,329		
Decrease			347	347
1) Disposal or write off			347	347
Closing balance	13,665,518	20,887,853	21,522	34,574,893
Accumulated depreciation				
Opening balance	1,076,541	3,169,697	16,698	4,262,936
Increase	156,385	466,044	1,344	623,773
1) Accrual	156,385	466,044	1,344	623,773
Decrease			275	275
1) Disposal or write off			275	275
Closing balance	1,232,926	3,635,741	17,767	4,886,434
Provision for impairment				
Opening balance			56	56
Increase				
1) Provision				
Decrease				
1) Disposal or write off				
Closing balance			56	56
Carrying amount				
Closing balance	12,432,592	17,252,112	3,699	29,688,403
Opening balance	12,121,220	18,180,204	4,970	30,306,394

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

10. Fixed assets (Continued)

(2) Fixed assets rented-in under finance leases

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment				
Direct lease	911,019	71,630		839,389
Sub-total	911,019	71,630		839,389

(3) Fixed assets rented-out under operating leases

Items	Carrying amount at the end of the period
Buildings and structures	13,329
Sub-total	13,329

(4) Fixed assets with certificate of titles being unsettled

Items	Carrying amount	Reason for unsettlement
Workshop in Changshou District	1,305,529	Data in preparation
Sub-total	1,305,529	

(5) Other descriptions

At the end of the period, there are property rights of fixed assets with use restriction, refer to Note V(IV) of the Financial Statement for details.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

11. Construction in progress

(1) Details

Projects	Closing balance		Opening balance		Carrying amount
	Cost	Provision for impairment	Cost	Provision for impairment	
Product restructuring project	42,435		46,557		46,557
Equipment upgrade project	21,422		20,438		20,438
Others	62,424		61,954		61,954
Total	126,281		128,949		128,949

(2) Changes in significant projects for the period

Name of project	Budgets	Opening balance	Increase	Transferred to fixed assets	Closing balance
Product restructuring project	6,771,591	46,557	1,731	5,854	42,435
Equipment upgrade project	742,474	20,438	984		21,422
Others		61,954	470		62,424
Sub-total		128,949	3,185	5,854	126,281

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

11. Construction in progress (Continued)

(2) Changes in significant projects for the period (Continued)

Name of project	Proportion of accumulated investment to budget (%)	Construction progress (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in current period	Capitalization rate in current period (%)	Source of fund
Product restructuring project	100	99				Loans from financial institutions and self-owned fund
Equipment upgrade project	106	99	3,790			Loans from financial institutions and self-owned fund
Others			2,061			Loans from financial institutions and self-owned fund
Sub-total			5,851			

12. Construction materials

Items	Closing balance	Opening balance
Equipment and construction materials	17,578	10,651
Total	17,578	10,651

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

13. Intangible assets

(1) Details

Items	Land use right	Total
Cost		
Opening balance	2,942,233	2,942,233
Increase		
1) Purchase		
Decrease		
1) Disposal		
Closing balance	2,942,233	2,942,233
Accumulated amortization		
Opening balance	229,969	229,969
Increase	31,840	31,840
1) Accrual	31,840	31,840
Decrease		
1) Disposal		
Closing balance	261,809	261,809
Provision for impairment		
Opening balance		
Increase		
Decrease		
Closing balance		
Carrying amount		
Closing balance	2,680,424	2,680,424
Opening balance	2,712,264	2,712,264

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

Items	Closing balance	Opening balance
Except Hong Kong	2,680,424	2,712,264
Wherein: mid-term lease	2,680,424	2,712,264
Sub-total	2,680,424	2,712,264

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

13. Intangible assets (Continued)

(3) Other descriptions

At the end of the period, there are property rights of Intangible assets with use restriction, refer to Note V(IV) of the Financial Statement for details.

14. Other non-current assets

Items	Closing balance	Opening balance
Prepayments for constructions	60,022	61,399
Guarantee for finance lease	30,430	25,300
VAT to be deducted	1,572,681	1,637,927
Others	5,250	9,000
Total	1,668,383	1,733,626

15. Short-term borrowings

Items	Closing balance	Opening balance
Pledged loans (Note)	297,114	255,622
Mortgage loans (Note)	400,000	400,000
Guaranteed loans	4,103,885	2,581,530
Unsecured loans	300,000	255,000
Total	5,100,999	3,492,152

(Note): The closing balance of pledged loans and mortgage loans 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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

16. Notes payable

Items	Closing balance	Opening balance
Commercial acceptance bills	1,042,135	1,770,207
Bank acceptance bills (Note)	1,574,950	1,893,210
Total	2,617,085	3,663,417

(Note): The closing balance of bank acceptance bills are all guaranteed by Chongqing Iron & Steel Group (CISG), refer to Notes to the Financial Statement IX.2.(3) for details.

17. Accounts payable

(1) Details

Items	Closing balance	Opening balance
Accounts payable for goods and services	7,785,668	7,520,467
Accounts payable for construction and equipments	2,715,859	3,011,596
Total	10,501,527	10,532,063

(2) Aging analysis

Ages	Closing balance
Within 1 year	5,120,922
1-2 years	2,126,725
2-3 years	2,910,256
Over 3 years	343,624
Total	10,501,527

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

17. Accounts payable (Continued)

(3) Significant accounts payable with age over one year

Items	Closing balance	Reasons for unsettlement
Accounts payable for goods and services	2,902,591	Temporarily not paid
Accounts payable for construction and equipments	2,478,013	The settlement procedures unfinished, and the final settlement unfinished according to the payment schedule
Sub-total	5,380,604	

18. Receipts in advance

Items	Closing balance	Opening balance
Payment for goods	612,754	653,721
Total	612,754	653,721

19. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	93,561	366,985	347,158	113,388
Post-employment benefits – defined contribution plans	159,626	60,074	10,808	208,892
Termination benefits	58,648	13	13	58,648
Total	311,835	427,072	357,979	380,928

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	7,681	280,591	262,979	25,293
Employee welfare fund		2,404	2,404	
Social insurance premium	3,324	44,949	44,949	3,324
Including: Medical insurance				
premium	17	29,188	29,188	17
Supplementary medical insurance premium	5	8,384	8,384	5
Large amount medical insurance premium	2	4,192	4,192	2
Work-related injury insurance premium	534	1,960	1,960	534
Maternity insurance premium	2,766	1,225	1,225	2,766
Housing fund	71,362	28,785	28,785	71,362
Labour union fund and employee education fund	10,786	9,693	7,430	13,049
Others	408	563	611	360
Sub-total	93,561	366,985	347,158	113,388

(3) Details of defined contribution plans

Items	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance premium	150,972	53,501	3,730	200,743
Supplementary pension insurance premium		2,952	2,952	
Unemployment insurance premium	8,654	3,621	4,126	8,149
Sub-total	159,626	60,074	10,808	208,892

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

Items	Closing balance	Opening balance
Value-added tax (VAT)		219
Business tax	5,846	5,897
Others	1,562	2,563
Total	7,408	8,679

21. Interests payable

Items	Closing balance	Opening balance
Interest of borrowings	10,446	20,567
Interest of corporate bonds	72,333	10,333
Total	82,779	30,900

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

22. Other payables

Items	Closing balance	Opening balance
Payment on account and interest	3,287,809	2,616,804
Guarantee deposits	23,533	34,982
Others	150,207	51,047
Total	3,461,549	2,702,833

23. Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term loans due within one year	1,019,560	1,568,945
Long-term payables due within one year	119,455	227,305
Total	1,139,015	1,796,250

24. Other current liabilities

Items	Closing balance	Opening balance
Deferred income – government grants	5,046	4,986
Deferred income – unrealized income of sale-and-leaseback transactions	6,867	10,068
Total	11,913	15,054

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

Items	Closing balance	Opening balance
Mortgage and guaranteed loans	7,821,000	7,968,500
Guaranteed loans	1,809,436	1,881,488
Total	9,630,436	9,849,988

(2) Analysis of long-term borrowings maturity dates

Items	Closing balance	Opening balance
Due on demand or within 1 year	1,019,560	1,568,945
1–2 years	2,369,436	1,472,988
2 to 5 years	4,771,000	5,137,000
Over 5 years	2,490,000	3,240,000
Sub-total	10,649,996	11,418,933
Wherein: Long-term loans due within one year	1,019,560	1,568,945
Long-term loans due over one year	9,630,436	9,849,988

26. Debentures payable

(1) Details

Items	Closing balance	Opening balance
Chongqing Iron & Steel Company Limited 2010 Company Debentures	1,990,939	1,987,882
Total	1,990,939	1,987,882

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

26. Debentures payable (Continued)

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

Name of debentures	Par value	Date of issuance	Debentures period	Amount outstanding	Opening balance	Current period issuance	Par value interest	Premiums/ discounts amortization	Current period repayment	Closing balance
Chongqing Iron & Steel Company Limited 2010 Company Debentures	2,000,000	2010.12.9	5+2 years	2,000,000	1,987,882			3,057		1,990,939
Sub-total	2,000,000			2,000,000	1,987,882			3,057		1,990,939

27. Deferred income

- (1) Details

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	94,167	8,350	2,523	99,994	Government grants
Unrealised income of sale-and-leaseback transactions	96,045		3,432	92,613	Sale-and-leaseback transactions
Sub-total	190,212	8,350	5,955	192,607	
Less: Deferred income expected to realized in one year	15,054	5,407	8,548	11,913	
Total	175,158			180,694	

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

27. Deferred income (Continued)

(2) Details of government grants

Items	Opening balance	Increase	Recognition during the period as non-operating income	Other movements	Closing balance	Related to assets/income
Grants for construction of environmental protection equipment and facilities	52,729	8,350	1,398		59,681	Related to assets
Grants for recycle heat power station	41,438		1,125		40,313	Related to assets
Sub-total	94,167	8,350	2,523		99,994	

28. Share capital

Items	Opening balance	Variation in the current period (decrease represented with "-")					Sub-total	Closing balance
		New shares issued	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 person								
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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

29. Capital reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	6,341,095			6,341,095
Other capital reserves	316,519	762		317,281
Total	6,657,614	762		6,658,376

(2) Other descriptions

The increase in other capital reserves for the period was attributable to the fact that a deductible input VAT of RMB762,000 on assets relating to significant asset restructuring which is in excess of the portion as agreed between the Company and CISG was received and that the Company recognizes it as the donation of CISG to the Company in capital reserves.

30. Special reserve

Items	Opening balance	Increase	Decrease	Closing balance
Safe production reserve		9,368	9,368	
Total		9,368	9,368	

31. Surplus reserve

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	606,991			606,991
Total	606,991			606,991

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

32. Retained earnings

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	-7,711,755	-1,724,507
Add: Increase due to adjustment (or less: decrease)		
Opening balance after adjustment	-7,711,755	-1,724,507
Add: Net profit attributable to the owners of the parent company	-1,790,343	-5,987,248
Less: Appropriation to Statutory surplus reserve Dividend payable on ordinary shares		
Closing balance	-9,502,098	-7,711,755

(II) Notes to items in consolidated income statement

1. Operating revenue and operating costs

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Revenue from principal activities	2,777,536	3,428,357	4,494,689	5,597,014
Revenue from other operations	11,876	4,342	10,930	2,912
Total	2,789,412	3,432,699	4,505,619	5,599,926

2. Impairment losses on assets

Items	Current period cumulative	Preceding period comparative
Bad debts	13,487	
Total	13,487	

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

(II) Notes to items in consolidated income statement (Continued)

3. Non-operating income

(1) Details

Items	Current period cumulative	Preceding period comparative	Amount recognized as current non-recurring profit or loss
Gains on the disposal of non-current assets	12		12
Wherein: Gains on the disposal of fixed assets	12		12
Government grants	115,985	2,004	115,985
Others	1,172	105	1,172
Total	117,169	2,109	117,169

(2) Details of government grants

Items of grants	Current period cumulative	Preceding period comparative	Related to assets/income
Grants for environmental protection, energy-saving emission reduction and development of new products	107,730		Related to income
Amortization of special funds for environmental governance	1,398	879	Related to assets
Amortization of grants for recycle heat power station	1,125	1,125	Related to assets
Grants for continuous employment	5,696		Related to income
Others	36		Related to income
Sub-total	115,985	2,004	

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

(II) Notes to items in consolidated income statement (Continued)

4. Non-operating expenses

Items	Current period cumulative	Preceding period comparative	Amount recognized as current non-recurring profit or loss
Others	7	6,359	
Total	7	6,359	

5. Income tax expenses

Items	Current period cumulative	Preceding period comparative
Current income tax expenses	12	41
Total	12	41

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

(III) Notes to items of the consolidated cash flow statement

1. Supplement information to the cash flow statement

(1) Supplement information to the cash flow statement

Supplementary Information	Current period cumulative	Preceding period comparative
1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	-1,790,333	-2,227,545
Add: Impairment losses on assets	13,487	
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	623,773	592,871
Amortization of intangible assets	31,840	30,931
Amortization of long-term prepayments		
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains represented with "-")	-12	
Losses on retirement of fixed assets (gains represented with "-")		
Losses on changes in fair value (gains represented with "-")		
Financial expenses (gains represented with "-")	531,668	620,728
Investment losses (gains represented with "-")		
Decrease in deferred tax assets (increase represented with "-")		
Increase in deferred tax liabilities (decrease represented with "-")		
Decrease in inventories (increase represented with "-")	564,982	-77,841
Decrease in operating receivables (increase represented with "-")	-46,093	126,020
Increase in operating payables (decrease represented with "-")	-386,273	189,776
Others		13,731
Net cash flow from operating activities	-456,961	-731,329

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

(III) Notes to items of the consolidated cash flow statement (Continued)

1. Supplement information to the cash flow statement (Continued)

(1) Supplement information to the cash flow statement

Supplementary Information	Current period cumulative	Preceding period comparative
2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets rented in under finance leases		
3) Net changes in cash and cash equivalents:		
Cash at the end of the period	233,116	355,528
Less: Cash at the beginning of the period	32,376	146,148
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	200,740	209,380

(2) Components of cash and cash equivalents

Items	Closing balance	Opening balance
1) Cash	233,116	32,376
Wherein: Cash on hand	1,997	1,419
Bank deposit available on demand for payment	231,119	30,957
Other monetary funds available on demand for payment		
2) Cash equivalents		
Wherein: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	233,116	32,376
Wherein: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

(III) Notes to items of the consolidated cash flow statement (Continued)

1. Supplement information to the cash flow statement (Continued)

(3) Amount of endorsement of commercial bills not involved in cash inflow or outflow

Items	Current period cumulative
Endorsement amount of commercial bills	1,564,605
Wherein: Payment for goods	1,542,408
Payment for acquisition of fixed assets and other long-term assets	22,197

(IV) Others

1. Assets with restricted ownership or right of use

Items	Carrying amount at the end of the period	Reasons for restriction
Cash and bank deposits	659,626	Frozen bank savings, guarantee deposit for notes and letter of credit
Fixed assets	9,690,215	Mortgaged for bank loans
Fixed assets	839,389	Fixed assets rented-in under finance leases
Intangible assets	2,395,029	Mortgaged for bank loans
Total	13,584,259	

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

(IV) Others (Continued)

2. Foreign currency monetary items

(1) Details

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank deposits			
Wherein: USD	885	6.6312	5,869
HKD	70	0.8547	60
Short-term borrowings			
Wherein: USD	44,809	6.6312	297,137
Non-current liabilities due within one year			
Wherein: USD	50,000	6.6312	331,560
Long-term borrowings			
Wherein: USD	30,000	6.6312	198,936

VI. CHANGES IN THE CONSOLIDATED SCOPE

Entities brought into the consolidation scope

Entities	Equity acquisition method	Equity acquisition date	Amount of capital contribution	Proportion of capital contribution
Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司)	New established	2016.6		(Note)

(Note): In June 2016, the Company and POSCO Korea Co., Ltd. (韓國株式會社POSCO) jointly funded Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司). The registered capital of Chongqing CISL high strength cold rolling steel Co., Ltd is RMB1,470.27 million, and the Company contributes RMB1,323.243 million subscribed capital which occupies 90% of the registered capital. In July 2016, the Company conducted the initial payment with the amount of RMB661.6215 million.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES

1. Composition of significant subsidiaries

Name of the subsidiary	Main operating place	Place of registration	Business nature	Shareholding proportion		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 processing and distribution industry	72.86%		Capital contribution to establish
Jingjiang CIS Huadong Trading Co., Ltd. (靖江重鋼華東商貿有限公司)	Jingjiang, Jiangsu Province	Jingjiang, Jiangsu Province	Trade industry	100%		Capital contribution to establish
Guizhou CIS Iron and Steel Sales Co., Ltd. (貴州重鋼鋼鐵銷售有限公司)	Guiyang, Guizhou Province	Guiyang, Guizhou Province	Trade industry	100%		Capital contribution to establish
Xi'an CIS Sales Co., Ltd. (西安重鋼銷售有限公司)	Beilin District, Xi'an	Beilin District, Xi'an	Trade industry	100%		Capital contribution to establish
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限公司)	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Trade industry	100%		Capital contribution to establish
Chongqing CISL High Strength Cold Rolling Steel Co., Ltd. (重慶重鋼高強冷軋板材有限公司)	Changshou District, Chongqing	Changshou District, Chongqing	Manufacturing industry	90%		Capital contribution to establish

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company's risk management objective is to obtain a balance between risks and benefits, minimize adverse impacts of relevant risks on the Company, and maximize the interest of its shareholders and other equity investors. Based on these objectives, the basic strategies are to identify and analyze all potential risks related to the Company, to set appropriate risk limitations, to manage and monitor all risks timely and effectively, and to control the risks within a limited scope.

The Company is faced with a variety of risks related to financial instruments in the daily activities, mainly including credit risk, liquidity risk and market risk. The management deliberated and approved the management policy for these risks.

(I) Credit risk

Credit risk refers to the risk that a party of the financial instruments suffers from financial losses due to the other party's failure to perform relevant obligations.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(I) Credit risk (Continued)

The Company's credit risk mainly comes from bank deposits and receivables. To control above risks, the Company took the following measures.

1. Bank deposits

The Company deposits its bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

2. Receivables

The Company will execute credit assessment for the clients who uses credit settlement on a continuous basis. Based on the credit assessment results, the Company will choose to transact with those clients authorized, credible and well-reputed, and conducts ongoing monitoring on receivables, to avoid significant risks in bad debts.

As the Company only conducts business with authorized, credible and well-reputed third parties, normally, the Group does not obtain collateral from customers. The Company manages credit risk aggregated by customers. As at 30 June 2016, 59% of the Company's accounts receivable (61% on 31 December 2015) 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.

(1) Analysis of receivables neither past due nor impaired and receivables past due but not impaired are as follows:

Items	Neither past due nor impaired	Closing balance			Total
		within 1 year	1-2 years	Over 2 years	
Notes receivable	19,820				19,820
Accounts receivable	160,995	6,164	11,074	3,972	182,205
Other receivables	49,009				49,009
Sub-total	229,824	6,164	11,074	3,972	251,034

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(I) Credit risk (Continued)

2. Receivables (Continued)

- (2) Please refer to notes “receivables” of consolidated financial statement for details of receivables with provision for impairment made on individual basis.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

The Company and its subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands (subject to approval by the board of directors of the Company when the borrowings exceed certain predetermined levels of authority). The Company's liquidity management method is to make sure enough liquidity for the performance of matured debts, so as not to cause any unacceptable loss or any damage to its reputation. 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 30 June 2016, the Company's current liabilities already exceeded current assets by RMB20,165,425,000 (2015: its current liabilities exceeded current assets by RMB18,875,709,000). As at 30 June 2016, an amount of RMB301,981,000 credit facility has not yet be used by the Company.

The Board of Directors of the Company reviewed in detail the cash flow prospects in 12 months (by the end of 30 June 2017). The Board of Directors of the Company thinks that assumptions and the degree of sensitivity included in the cash flow prospects are reasonable. Considering the Company's operation conditions, obtained bank credit facilities, obtained financing records, long-term good cooperation relations with various banks and other financial institutions and suppliers, and the 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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(II) Liquidity risk (Continued)

Classification of financial liabilities based on the rest maturity date

Items	Carrying amount	Undiscounted contract amount	Closing balance			
			within 1 year	1-2 years	2-5 years	Over 5 years
Short-term borrowings	5,100,999	5,229,870	5,229,870			
Notes payable	2,617,085	2,617,085	2,617,085			
Interests payable	82,779	82,779	82,779			
Accounts payable	10,501,527	10,501,527	10,501,527			
Other payables	3,461,549	3,466,810	3,466,810			
Non-current liabilities due within one year	1,139,015	1,171,312	1,171,312			
Long-term borrowings	9,630,436	11,380,436	476,836	2,799,783	5,509,921	2,593,896
Debentures payable	1,990,939	2,000,000		2,000,000		
Sub-total	34,524,329	36,449,819	23,546,219	4,799,783	5,509,921	2,593,896

Items	Carrying amount	Undiscounted contract amount	Opening balance			
			within 1 year	1-2 years	2-5 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

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risk

Market risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market price variation. Market risk mainly includes interest risk and foreign exchange risk.

1. Interest risk

Interest risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market interest variation. The market interest rate variation risk faced by the Company mainly correlated with its loans with the interest measured by the floating interest rate.

As at 30 June 2016, balance of borrowings with interest accrued at floating interest rate totaled RMB11,634,081,000 (31 December 2015: RMB11,715,462,000). If the interest rates increase/decrease 50 basis points with all other variables unchanged, the financial effect on the Company would be a/an decrease/increase of RMB58,170,000 (31 December 2015: a/an decrease/increase of RMB58,577,000) in equity, a/an decrease/increase of RMB58,170,000 (in 2015: a/an decrease/increase of RMB58,577,000) in net profit.

2. Foreign exchange risk

Foreign exchange risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the variation in the foreign exchange rate. Foreign exchange risk faced by the Company is mainly correlated with its monetary assets and liabilities in foreign currency. When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level.

Please refer to notes "foreign currency monetary items" of consolidated financial statement for details of foreign currency financial assets and liabilities at the end of the period.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS

(I) Information about related parties

1. Information about Parent company

- (1) The parent company

Name of the parent company	Place of registration	Business nature	Registered capital	Shareholding proportion over the Company (%)	Voting right proportion over the Company (%)
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	Chongqing	Sintering, iron smelting, steel smelting and rolling and the by-products of iron and steel, mining and processing, machinery, electronic, construction, transportation by automobile, refractory materials	1,650,706	47.27	47.27

Chongqing State-Owned Assets Supervision and Administration Commission is the ultimate controlling party of the Company.

2. Please refer to notes “Interests in other entities” of consolidated financial statement for details of the Company’s subsidiaries.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 of the other related parties	Relationship between the Company and the 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 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 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

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 of the other related parties	Relationship between the Company and the other related parties
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
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 Wuxia Mining Industry Incorporated Company (重慶巫峽礦業股份公司)	Subsidiaries under the control of the parent company
Chongqing 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 steel structure industry Company Limited (重慶鋼結構產業有限公司)	Subsidiaries under the control of the parent company

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions

1. Purchase and sales of goods, rendering and receiving of services

(1) Details

1) Purchase of goods and receiving of services (excluding tax)

Related party	Content of transaction	Current period cumulative	Preceding period comparative
Chongqing Iron & Steel (Hong Kong) Company Limited (重慶鋼鐵(香港)有限公司)	Purchase of goods	238,140	1,547,741
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Purchase of goods	194,808	
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Purchase of goods	128,576	
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	Purchase of goods	82,428	
Chongqing Iron & Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限責任公司)	Purchase of goods, receiving of services	53,246	
Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	Purchase of goods, receiving of services	45,004	
Chongqing Iron Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Purchase of goods, receiving of services	28,984	
Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	Purchase of goods, receiving of services	21,077	
Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	Purchase of goods, receiving of services	12,655	
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	9,453	
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Purchase of goods, receiving of services	3,575	

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

1. Purchase and sales of goods, rendering and receiving of services (Continued)

(1) Details (Continued)

1) Purchase of goods and receiving of services (excluding tax) (Continued)

Related party	Content of transaction	Current period cumulative	Preceding period comparative
San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	Purchase of goods, receiving of services	2,566	
Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	Purchase of goods, receiving of services	2,431	
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, receiving of services	806	
Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	Purchase of goods	766	
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	706	
Chongqing Xingang Loading and Transportation Company Limited (重慶新港裝卸運輸有限公司)	Receiving of services	333	
Chongqing San Gang Steel Company Limited (重慶三鋼鋼業有限責任公司)	Purchase of goods	210	
Chongqing Iron & Steel Group General Hospital (重鋼總醫院)	Receiving of services	136	
Chongqing Iron & Steel (Group) Co., Ltd. (重慶鋼鐵(集團)有限責任公司)	Receiving of services	83	
Total		825,983	1,547,741

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

1. Purchase and sales of goods, rendering and receiving of services (Continued)

(1) Details (Continued)

2) Sale of goods and rendering of services (excluding tax)

Related party	Content of transaction	Current period cumulative	Preceding period comparative
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Sale of energy, rendering of services	97,942	204,263
Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	Sale of energy, etc	33,070	
Chongqing steel structure industry co., Ltd (重慶鋼結構產業有限公司)	Sale of steels	29,738	
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Sale of energy, etc	14,413	
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	5,118	
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	Sale of energy	4,814	
Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	Sale of steels	3,617	
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	2,028	
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Sale of energy, rendering of services	336	
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	Sale of energy, etc	185	
Chongqing Iron & Steel Group Electronics Company Limited (重慶鋼鐵集團電子有限責任公司)	Sale of energy, etc	133	
Chongqing Iron & Steel Group Transportation Company limited (重慶鋼鐵集團運輸有限責任公司)	Sale of energy, etc and rendering of services	72	
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	26	
Total		191,492	204,263

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

1. Purchase and sales of goods, 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 suppliers' bid price. The considerations for fixed assets and construction-in-progress purchased from related party or undertaken by related party for construction are determined by the suppliers' bid price.

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

2. Related party leases

(1) The Company as the lessor (tax excluded)

Name of Lessee	Type of assets leased	Lease income for current period	Lease income for 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	96	
Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	Buildings and structures	40	
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	Buildings and structures	35	
Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	Buildings and structures	21	
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	18	
Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	Buildings and structures	18	
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	11	
Total		239	

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

2. Related party leases (Continued)

(2) The Company as the lessee

Name of lessor	Types of asset leased	Lease expenses for current period	Lease expenses for the preceding period
Chongqing Iron & Steel Group Doorlead Realty Company Limited (重慶鋼鐵集團朵力房地產股份有限公司)	Buildings and structures	115	294
Total		115	294

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.

3. Related party guarantees

(1) The Company and its subsidiaries as the guarantor

Guaranteed party	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	784,294	2012/4/17	2024/8/3	No
Total		784,294		

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

3. Related party guarantees (Continued)

(2) The Company and its subsidiaries as the guarantee

Guarantors	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
Chongqing Iron & Steel (Group) Co., Ltd	30,000	2015/8/7	2018/4/6	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	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

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

3. Related party guarantees (Continued)

(2) The Company and its subsidiaries as the guarantee (Continued)

Guarantors	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
Chongqing Iron & Steel (Group) Co., Ltd	49,000	2015/10/16	2018/10/16	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	58,634	2015/10/28	2018/4/25	No
Chongqing Iron & Steel (Group) Co., Ltd	60,881	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	55,560	2015/12/24	2018/6/21	No
Chongqing Iron & Steel (Group) Co., Ltd	59,840	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	53,600	2016/2/6	2018/2/5	No
Chongqing Iron & Steel (Group) Co., Ltd	37,600	2016/3/14	2018/3/14	No
Chongqing Iron & Steel (Group) Co., Ltd	47,840	2016/6/29	2018/6/29	No

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

3. Related party guarantees (Continued)

(2) The Company and its subsidiaries as the guarantee (Continued)

Guarantors	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
Chongqing Iron & Steel (Group) Co., Ltd	43,890	2016/6/29	2018/6/29	No
Chongqing Iron & Steel (Group) Co., Ltd	56,525	2016/6/30	2018/6/30	No
Chongqing Iron & Steel (Group) Co., Ltd	30,000	2016/6/2	2019/6/1	No
Chongqing Iron & Steel (Group) Co., Ltd	36,800	2016/4/12	2018/10/12	No
Chongqing Iron & Steel (Group) Co., Ltd	56,000	2016/4/13	2019/3/13	No
Chongqing Iron & Steel (Group) Co., Ltd	29,000	2016/4/15	2019/2/15	No
Chongqing Iron & Steel (Group) Co., Ltd	95,000	2016/2/3	2019/2/2	No
Chongqing Iron & Steel (Group) Co., Ltd	37,500	2016/2/5	2019/2/4	No
Chongqing Iron & Steel (Group) Co., Ltd	45,000	2016/3/24	2019/3/23	No
Chongqing Iron & Steel (Group) Co., Ltd	62,200	2016/3/18	2018/9/14	No
Chongqing Iron & Steel (Group) Co., Ltd	20,000	2016/1/11	2019/1/11	No
Chongqing Iron & Steel (Group) Co., Ltd	240,000	2016/1/6	2019/1/5	No
Chongqing Iron & Steel (Group) Co., Ltd	60,000	2016/2/25	2019/2/24	No
Chongqing Iron & Steel (Group) Co., Ltd	100,000	2016/4/14	2019/4/13	No
Chongqing Iron & Steel (Group) Co., Ltd	200,000	2016/4/14	2019/4/13	No
Chongqing Iron & Steel (Group) Co., Ltd	150,000	2016/4/29	2019/4/27	No
Chongqing Iron & Steel (Group) Co., Ltd	620,000	2016/5/6	2019/4/27	No

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

3. Related party guarantees (Continued)

(2) The Company and its subsidiaries as the guarantee (Continued)

Guarantors	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
Chongqing Iron & Steel (Group) Co., Ltd	80,000	2016/6/30	2019/6/29	No
Chongqing Iron & Steel (Group) Co., Ltd	165,000	2016/6/30	2019/6/29	No
Chongqing Iron & Steel (Group) Co., Ltd	33,000	2016/3/22	2019/3/21	No
Chongqing Iron & Steel (Group) Co., Ltd	63,000	2016/3/22	2019/3/21	No
Chongqing Iron & Steel (Group) Co., Ltd	60,000	2016/5/19	2019/5/18	No
Chongqing Iron & Steel (Group) Co., Ltd	5,000	2015/4/27	2018/10/27	No
Chongqing Iron & Steel (Group) Co., Ltd	1,000	2015/8/25	2018/8/31	No
Chongqing Iron & Steel (Group) Co., Ltd	5,000	2015/4/27	2019/4/27	No
Chongqing Iron & Steel (Group) Co., Ltd	331,560	2015/6/30	2019/6/22	No
Chongqing Iron & Steel (Group) Co., Ltd	1,000	2015/8/25	2019/2/28	No
Chongqing Iron & Steel (Group) Co., Ltd	50,000	2014/7/28	2019/7/27	No
Chongqing Iron & Steel (Group) Co., Ltd	200,500	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	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

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

3. Related party guarantees (Continued)

(2) The Company and its subsidiaries as the guarantee (Continued)

Guarantors	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
Chongqing Iron & Steel (Group) Co., Ltd	198,936	2015/9/10	2019/8/10	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	7,660,000	2012/9/20	2024/9/19	No
Chongqing Iron & Steel (Group) Co., Ltd	400,000	2012/9/26	2019/5/20	No
Chongqing Iron & Steel (Group) Co., Ltd	14,000	2016/1/7	2018/7/7	No
Chongqing Iron & Steel (Group) Co., Ltd	51,000	2016/1/8	2018/7/8	No
Chongqing Iron & Steel (Group) Co., Ltd	60,000	2016/1/18	2018/7/18	No
Chongqing Iron & Steel (Group) Co., Ltd	21,900	2016/1/22	2018/7/22	No
Chongqing Iron & Steel (Group) Co., Ltd	60,000	2016/1/26	2018/7/26	No
Chongqing Iron & Steel (Group) Co., Ltd	89,600	2016/1/29	2018/7/29	No
Chongqing Iron & Steel (Group) Co., Ltd	77,000	2016/3/9	2018/9/9	No
Chongqing Iron & Steel (Group) Co., Ltd	27,650	2016/3/10	2018/9/10	No
Chongqing Iron & Steel (Group) Co., Ltd	70,350	2016/3/11	2018/9/11	No
Chongqing Iron & Steel (Group) Co., Ltd	69,160	2016/3/18	2018/9/18	No
Chongqing Iron & Steel (Group) Co., Ltd	39,000	2016/3/21	2018/9/21	No
Chongqing Iron & Steel (Group) Co., Ltd	30,555	2016/3/23	2018/9/23	No
Chongqing Iron & Steel (Group) Co., Ltd	42,000	2016/4/8	2018/10/8	No

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

3. Related party guarantees (Continued)

(2) The Company and its subsidiaries as the guarantee (Continued)

Guarantors	Amount guaranteed	Commencement date	Maturity date	Performance of guarantee completed or not
Chongqing Iron & Steel (Group) Co., Ltd	70,000	2016/4/22	2018/10/22	No
Chongqing Iron & Steel (Group) Co., Ltd	71,750	2016/4/25	2018/10/25	No
Chongqing Iron & Steel (Group) Co., Ltd	39,900	2016/4/29	2018/10/29	No
Chongqing Iron & Steel (Group) Co., Ltd	42,000	2016/5/11	2018/11/11	No
Chongqing Iron & Steel (Group) Co., Ltd	84,700	2016/5/19	2018/11/19	No
Chongqing Iron & Steel (Group) Co., Ltd	7,000	2016/5/23	2018/11/23	No
Chongqing Iron & Steel (Group) Co., Ltd	42,000	2016/6/1	2018/12/1	No
Chongqing Iron & Steel (Group) Co., Ltd	9,800	2016/6/2	2018/12/2	No
Chongqing Iron & Steel (Group) Co., Ltd	56,000	2016/6/12	2018/12/12	No
Chongqing Iron & Steel (Group) Co., Ltd	31,964	2013/7/12	2018/7/10	No
Chongqing Iron & Steel (Group) Co., Ltd	4,911	2012/8/11	2018/8/10	No
Chongqing Iron & Steel (Group) Co., Ltd	200,000	2016/2/25	2018/3/31	No
Chongqing Iron & Steel (Group) Co., Ltd	50,000	2016/6/7	2019/6/7	No
Chongqing Iron & Steel (Group) Co., Ltd	69,000	2016/2/10	2019/5/10	No
Chongqing Iron & Steel (Group) Co., Ltd	161,000	2016/2/10	2021/2/10	No
Chongqing Iron & Steel (Group) Co., Ltd	58,000	2016/4/5	2020/4/5	No

(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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

4. Other cash flows between related parties

Related party	Amount borrowed	Amount returned	Interest in the current period
Chongqing Iron & Steel (Group) Co., Ltd (重慶鋼鐵(集團)有限責任公司)	229,971	10,364	6,902
Wherein: Borrowings			6,902
Chongqing Iron & Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限責任公司)	17,000		
Chongqing saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	325,000		
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 Mining Company Limited (重慶鋼鐵集團礦業有限公司)	674,180	882,480	
Chongqing steel structure industry Company Limited (重慶鋼結構產業有限公司)	200,000		429
Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	(Note)		

(Note): 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 RMB656,624,000.

The transactions stated above constitute the transactions or continued transactions with related parties according to the Listing rules 14A of the Stock Exchange of Hong Kong.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

5. Remuneration of Key Management Personnel

Items	Current Period cumulative	Preceding Period comparative
Remuneration of Key Management Personnel	1,279	1,175

6. 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.

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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(II) Information about related party transactions (Continued)

6. Other related-party transactions (Continued)

(1) Non-planned and unified social insurance management (Continued)

During January to June 2016, 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 RMB14,854,000 (2015 January to June: RMB17,840,000).

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. During January to June 2016, 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 RMB33,820,000 (2015 January to June: RMB43,285,000). 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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance due to or from related parties

1. Balance due from related parties

Items	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	40,544		11,833	
	Chongqing Iron & Steel Group San Feng Industrial Company Limited (重慶鋼鐵集團三峰工業有限公司)	5,148		5,869	
	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 Research Institute (重慶鋼鐵研究所有限公司)	1,104		1,162	
	Chongqing Iron & Steel Group Steel Pipe Company Limited (重慶鋼鐵集團鋼管有限責任公司)	923		1,268	
	Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	46		76	
	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	11		2,046	
	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)	6		4	
	Chongqing Hongfa Real Estate Development Company (重慶宏發房地產開發公司)	5		5	
	Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)			45	
Sub-total		50,543	2,756	25,064	2,756

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance due to or from related parties (Continued)

1. Balance due from related parties (Continued)

Items	Related party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for 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)	1,604		1,700	
	Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)	18			
Sub-total		1,622		1,700	
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)	60,022		61,399	
Sub-total		60,022		61,399	

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance due to or from related parties (Continued)

2. Balance due to related parties

Items	Related party	Closing balance	Opening balance
Notes payable	Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	468,000	500,000
	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	603,510	523,500
	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	546,630	679,180
	Chongqing Iron & Steel Group Electronic Company Limited (重慶鋼鐵集團電子有限責任公司)	17,000	
	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
Sub-total		1,635,140	1,823,410

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance due to or from related parties (Continued)

2. Balance due to related parties (Continued)

Items	Related party	Closing balance	Opening balance
Accounts payable	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	565,682	642,722
	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	278,544	357,049
	Chongqing Iron & Steel (Group) Co., Ltd. (重慶鋼鐵(集團)有限責任公司)	159,928	159,966
	Chongqing Saving Sanfeng Energy Limited (重慶中節能三峰能源有限公司)	521,573	130,304
	Chongqing Iron & Steel Group Design and Research Institute (重慶鋼鐵集團設計院)	125,570	148,083
	Chongqing Sanhuan Construct Supervision Consultant Company Limited (重慶三環建設監理諮詢有限公司)	32,314	39,770
	Chongqing Iron & Steel Group Electronics Company Limited (重慶鋼鐵集團電子有限責任公司)	19,951	17,389
	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	5,799	3,445
	Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)	5,291	
	Chongqing Iron & Steel (Hong Kong) Company Limited (重慶鋼鐵(香港)有限公司)	1,629	35,670
	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	1,272	
	San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)		6,343
	Others		1
Sub-total		1,717,553	1,540,742

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance due to or from related parties (Continued)

2. Balance due to related parties (Continued)

Items	Related party	Closing balance	Opening balance
Receipts in advance	Chongqing steel structure industry Company Limited (重慶鋼結構產業有限公司)	56,407	
	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	1,073	662
	Chongqing San Gang Steel Company Limited (重慶三鋼鋼業有限責任公司)	1,050	1,050
	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	313	1,099
	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	2	
	Chongqing Iron & Steel Research Institute (重慶鋼鐵研究所有限公司)		4
	Chongqing Iron & Steel export and import company (重鋼進出口公司)		3
Sub-total		58,845	2,818

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

(III) Balance due to or from related parties (Continued)

2. Balance due to related parties (Continued)

Items	Related party	Closing balance	Opening balance
Other payables	Chongqing Iron & Steel (Group) Co., Ltd. (重慶鋼鐵(集團)有限責任公司)	1,111,396	891,781
	Chongqing Iron & Steel Group Chaoyang Gas Company Limited (重慶朝陽氣體有限公司)	595,301	555,205
	Chongqing steel structure industry Company Limited (重慶鋼結構產業有限公司)	200,024	
	Chongqing Iron & Steel Group Mining Company Limited (重慶鋼鐵集團礦業有限公司)	134,250	198,782
	Chongqing Donghua Special Steel Company Limited (重慶東華特殊鋼有限責任公司)	20,865	20,865
	Chongqing Sanhuan Construction Management & Consulting Co.,Ltd (重慶三環建設監理諮詢有限公司)	4,656	4,713
	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	2,965
	San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司)	1,032	1,916
	Chongqing Iron & Steel Group Construction and Engineering Company Limited (重慶鋼鐵集團建設工程有限公司)	479	479
	Chongqing Iron & Steel Group Industrial Company Limited (重慶鋼鐵集團產業有限公司)	2	3,814
	Chongqing Iron & Steel Group Transportation Company Limited (重慶鋼鐵集團運輸有限責任公司)		5,357
Sub-total		2,070,970	1,685,877

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 financial costs.

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

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

X. CAPITAL MANAGEMENT (Continued)

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, actual and expected profitability, expected cash flow, and estimated capital expenditures. If any change of the economic conditions influences the Company, the Company will adjust its capital structure.

The Company supervises its capital structure through adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes short-term borrowings, 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:

Items	Closing balance	Opening balance
Current liabilities		
Short-term borrowings	5,100,999	3,492,152
Long-term borrowings due within one year	1,019,560	1,568,945
Finance lease payable due within one year	119,455	227,305
Sub-total	6,240,014	5,288,402
Non-current liabilities		
Long-term borrowings	9,630,436	9,849,988
Debentures payable	1,990,939	1,987,882
Long-term payables – finance lease payable		
Sub-total	11,621,375	11,837,870
Total debts	17,861,389	17,126,272
Add: dividends proposed for distribution		
Less: Cash and cash equivalents	233,116	32,376
Adjusted net debt	17,628,273	17,093,896
Shareholders' equity	1,865,657	4,008,147
Less: dividends proposed for distribution		
Adjusted capital	1,865,657	4,008,147
Adjusted net debt-to-capital ratio	9.45	4.26

The Board of Directors made a sufficient and detailed assessment for the sustainable operation ability of the Company, including the review of the working capital prospects formulated by the management in 12 months by the end of 30 June 2017, 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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XI. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

1. Outsourcing contract with significant amount that was signed and performing or commencing to perform

Items	Current period cumulative	Preceding period comparative
Outsourcing contract with significant amount that was signed and performing or commencing to perform	3,092,637	3,367,637
Total	3,092,637	3,367,637

2. Signed lease contract under the performance or commencing to perform and its financial impacts

Items	Current period cumulative	Preceding period comparative
Signed lease contract under the performance or commencing to perform	116,588	230,493
Total	116,588	230,493

3. As at 30 June 2016, the letters of credit issued by the Company are as follows:

Items	Transaction amount	Balance of guarantee deposited
International letter of credit	USD19,688	USD2,051
Domestic letter of credit	RMB281,000	RMB46,200

As of the balance sheet date, in addition to the above matters, the Company has no other significant commitments need to be disclosed.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XI. COMMITMENTS AND CONTINGENCIES (Continued)

(II) Contingencies

1. **Contingent liabilities incurred by pending lawsuit/arbitration and the financial effect**

- (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) filed a suit against the Company over contract payment in arrear to Deyang intermediate people's court requesting the court to make a ruling on contract arrears of RMB103.38401 million and liquidated damages to the actual implementation date. As at 30 June 2016, the case is currently being heard.
- (2) In November 2015, Chongqing Tonghui Coal Washing Co., Ltd (重慶通匯煤炭洗選有限責任公司) filed a suit against the Company over contract payment in arrear to Chongqing Municipal First Intermediate People's Court requesting the court to make a ruling on contract arrears of RMB77.98261 million and 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 30 June 2016, the case is currently being heard.
- (3) In February 2016, Liaoning Qinghua Refractories Co., Ltd. (遼寧青花耐火材料股份有限公司) filed a suit against the Company over contract payment in arrear to the People's Court of Dashiqiao Municipality of Liaoning Province requesting the court to make a ruling on contract arrears of RMB53.796 million and corresponding interests. As at 30 June 2016, the case is currently being heard.
- (4) In April 2016, Beijing Keda Hengxing Hi-Tech Co., Ltd. (北京科大恆興高技術有限公司) filed a suit against the Company over contract payment in arrear to Chongqing Municipal Fifth Intermediate People's Court requesting the court to make a ruling on contract arrears of RMB21.456 million and corresponding interests. As at 30 June 2016, the case is currently being heard.
- (5) In May 2016, Tianjin Guangyuan Shifang Logistics Co., Ltd (天津市廣緣十方物流有限公司) filed a suit against the Company over contract payment in arrear to the People's Court of Changshou District of Chongqing Municipal requesting the court to make a ruling on contract arrears of RMB10.27894 million and corresponding interests. As at 30 June 2016, the case is currently being heard.
- (6) In April 2016, Jiangsu Fengjin Environmental Science and Technology Co., Ltd (江蘇鳳凰金環保科技有限公司) filed a suit against the Company over creditor's rights transfer disputes to the People's Court of Jiangyin Municipal of Jiangsu Province requesting the court to make a ruling on creditor's rights of RMB11 million and corresponding interests. As at 30 June 2016, the case is currently being heard.

2. **Contingent liabilities incurred by providing debt guarantees for other entities and the financial effect**

For relevant matters about the guarantee provided for related parties, refer to note IX (II) 3 "related parties and related-party transactions" of the Financial Statement for details.

As of the balance sheet date, in addition to the above matters, the Company has no other significant contingencies need to be disclosed.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XII. EVENTS AFTER BALANCE SHEET DATE

As of the date of approval of this financial report, the Company has no other significant non-adjusted matters among the events after balance sheet date need to be disclosed.

XIII. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. Identification basis and accounting policies for reportable segments

The Company will determine different segments based on the internal organizational structure, management requirements and internal report system. The Company's operating segments refer to 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 reportable 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.

2. Financial information of reportable segments

Items	Steel			Total
	Iron and Steel segment	Processing segment	Inter-segment offset	
Revenue from principal activities	2,770,622	24,446	-17,532	2,777,536
Cost of principal operations	3,422,180	23,709	-17,532	3,428,357
Total assets	37,915,615	73,860	-52,873	37,936,602
Total liabilities	35,717,086	2,813	-1,873	35,718,026

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XIII. OTHER SIGNIFICANT EVENTS (Continued)

(I) Segment information (Continued)

3. Information of significant customers

The Company has 1 customer (during 2015 January to June: 0) from which the operating income is over 10% of the Company's total operating income. The operating income from this customer represents about 10% of the Company's total operating income.

The customer which the operating income is 10% or above of the Company's total operating income stated below:

Name of Customer	Operating income	Proportion of total operating income of the company (%)
Customer 1	285,944	10
Total	285,944	10

(II) Significant assets restructuring

On 4 June 2016, the Company published the "Announcement on Suspension of Trading in Relation to Significant Assets Restructuring" and announced that the Chongqing State-Owned Assets Supervision and Administration Commission, the ultimate controlling party of the Company, is currently making preparation for matters in relation to the Company's significant assets restructuring and that such restructuring matters may involve counterparties including Chongqing Yu Fu Assets Management Group Co., Ltd. (重慶渝富資產經營管理集團有限公司). The Company is currently planning to acquire non-listed financial assets of stronger profitability from the aforementioned counterparties and at the same time dispose of the Company's iron and steel-related assets and this may involve matters in relation to the replacement of assets, assets purchase through share issuance and supporting financing. As at the date of this financial report, this significant assets restructuring is under preparation and the Company is continuing to conduct further discussion on the feasibility of the transaction plan with relevant parties.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XIII. OTHER SIGNIFICANT EVENTS (Continued)

(III) Termination of non-public issuance

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.

Since 2 June 2016, the Company has suspended its shares from trading and has been making preparation for a significant assets restructuring. In the light of this, it is expected that the Company's non-public issuance of shares will not meet the conditions and requirements of relevant laws and regulations governing non-public issuance of shares by listed companies. On 3 August 2016, it was agreed by resolution of the 58th Meeting of the 7th Session of Board Meeting that the Company would terminate matters in relation to the non-public issuance of shares and would make an application to CSRC to terminate the review on the Company's application materials for a non-public issuance of shares in 2015.

(IV) Significant cooperation agreement

On 18 April 2016, the Company and Panhua Group Co., Ltd. (攀華集團有限公司) (Panhua Group) signed a "Processing-on-Order Agreement" (Agreement). Under the Agreement, Panhua Group entrusts the Company to process and produce hot-rolled coil and supplies ore and coal, the main raw materials as needed in the production, whereas the Company is responsible for other raw and ancillary materials, labour costs and other items as incurred in the production process. As per the Agreement, the Company charges the processing expenses to Panhua Group.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XIII. OTHER SIGNIFICANT EVENTS (Continued)

(V) Significant investment event

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 venture project for cold rolling and joint venture project for galvanized projects in Chongqing.

On 6 April 2016, the Company and POSCO signed the “Joint Venture Contract Between Chongqing Iron & Steel Company Limited and POSCO on Chongqing CISL high strength cold rolling steel Co., Ltd” and “Joint Venture Contract Between Chongqing Iron & Steel Company Limited and POSCO on Chongqing POSCO CISL automotive steel Co., Ltd” respectively. Under the contracts, the parties will establish joint venture companies in Chongqing: Chongqing CISL high strength cold rolling steel Co., Ltd (重慶重鋼高強冷軋板材有限公司) and Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司) will implement the joint venture project for cold rolling and the joint venture project for galvanized projects, respectively. The total amount of investment at the time of establishment of the joint venture companies is RMB3,230.77 million and the total amount of investment at all stages of the companies is RMB6,235.27 million. The Company will make capital contribution in Renminbi whereas POSCO will make capital contribution in Renminbi or the equivalent in US Dollars, of which: the Company will contribute 90% of the capital of Chongqing CISL high strength cold rolling steel Co., Ltd and 49% of the capital of Chongqing POSCO CISL automotive steel Co., Ltd.

The aforementioned joint venture contracts have been considered and passed at the Company’s 41st Meeting of the 7th Session of the Board Meeting and 2015 Shareholders’ General Meeting.

In July 2016, the Company and POSCO made an initial capital contribution of RMB661.6215 million and USD11.0017 million respectively to Chongqing CISL high strength cold rolling steel Co., Ltd and made an initial capital contribution of RMB130.416 million and USD20.3141 million respectively to Chongqing POSCO CISL automotive steel Co., Ltd.

(VI) Pledge of shares by controlling shareholder

As at 30 June 2016, CISG holds altogether 2,096,981,600 A shares of the Company, accounting for 47.27% of the total share capital of the Company, among which the number of accumulated pledged shares of the Company is 952,000,000 shares, accounting for 45.40% of the total number of shares it holds and 21.46% of the total share capital of the Company.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 on categories

Categories	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	153,935	24	7,923	5	146,012
Receivables with provision made on a collective basis using portfolios with similar credit risk features	491,757	76	149,060	30	342,697
Receivable of individually insignificant amount but with provision made on an individual basis	2,756		2,756	100	
Total	648,448	100	159,739	25	488,709

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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)

1) Details on categories (Continued)

Categories	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	153,935	25	7,923	5	146,012
Receivables with provision made on a collective basis using portfolios with similar credit risk features	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

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	Provision for bad debts	Percentage (%)	Reason for provision
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.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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)

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

Ages	Book balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within 3 months (third month inclusive)	127,888		
4-12 months (first year inclusive)	170,037	8,502	5
1-2 years	9	2	25
2-3 years	3,398	1,699	50
Over 3 years	138,857	138,857	100
Sub-total	440,189	149,060	34

4) In portfolios, accounts receivable with provision made on a collective basis with other method

Portfolios	Book balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Accounts receivable of related parties	51,568		
Sub-total	51,568		

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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)

(2) Aging Analysis

Ages	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Within 3 months (third month inclusive)	155,158		
4-12 months (first year inclusive)	179,289	8,502	5
1-2 years	11,083	2	
2-3 years	3,905	1,699	44
Over 3 years	299,013	149,536	50
Total	648,448	159,739	25

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

An amount of RMB13,487,000 was withdrawn as bad debt provision and no provision for bad debts were collected or reversed in the current period.

(4) Five largest accounts receivable by debtor

The subtotal of five largest accounts receivable of the parent company at the end of the period is RMB382,028,000, representing 59% of the total accounts receivable, and the provision of bad debts is RMB12,751,000.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

(1) Details

1) Details on categories

Categories	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	15,827	24	15,827	100	
Other receivables that were not impaired upon separate impairment test	48,904	74			48,904
Receivable of individually insignificant amount but with provision made on an individual basis	1,131	2	1,131	100	
Total	65,862	100	16,958	26	48,904

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 on categories (Continued)

Categories	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Provision for bad debts		
			Amount	Provision proportion (%)	
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)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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)

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	Provision for bad debts	Percentage (%)	Reasons for provision made
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
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
Sub-total	15,827	15,827	100	

(2) Other receivables categorised by nature

Nature of amount	Closing balance	Opening balance
Payment on account	28,110	26,270
Guarantee deposits and petty cash	27,903	18,936
Others	9,849	11,980
Total	65,862	57,186

(3) Five largest other receivables by debtor

The subtotal of five largest other receivables of the parent company at the end of the period is RMB28,888,000, representing 44% of the total other receivables of the parent company, and the provision of bad debts is RMB16,958,000.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 investments

(1) Details

Items	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

(2) Investments in subsidiaries

Investees	Opening balance	Change		Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
		Increase	Decrease			
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. (貴州重鋼鋼鐵銷售有限責任公司) (Note 1)						
Xi'an CIS Sales Co., Ltd. (西安重鋼銷售有限責任公司) (Note 1)						
Chongqing CIS Building Materials Sales Co., Ltd. (重慶市重鋼建材銷售有限責任公司) (Note 1)						
Sub-total	101,000			101,000		

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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 investments (Continued)

(3) Investments in joint venture

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司) (Note 2)						
Total						

(4) 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 1): 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 of the balance sheet date, the Company has not yet paid the subscription amount.

(Note 2): In June 2016, the Company and POSCO Korea Co., Ltd. (韓國株式會社POSCO) jointly funded Chongqing POSCO CISL automotive steel Co., Ltd (重慶浦項重鋼汽車板有限公司). The registered capital of Chongqing POSCO CISL automotive steel Co., Ltd is RMB532.31 million, and the Company contributes RMB260.8319 million subscribed capital which occupies 49% of the registered capital. In July 2016, the Company conducted the initial payment with the amount of RMB130.416 million.

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XIV. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

(II) Notes to items in the Parent Company's income statement

1. Operating revenue and operating costs

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Revenue from principal activities	2,568,309	3,221,428	4,266,945	5,374,035
Revenue from other operations	11,875	4,342	10,930	2,912
Total	2,580,184	3,225,770	4,277,875	5,376,947

XV. OTHER SUPPLEMENTARY INFORMATION

(I) Non-recurring profit and loss

1. Details of non-recurring profit or loss

Items	Amount	Remarks
Profit/loss on disposal of non-current assets, including write-off of provision for asset impairment	12	
Unauthorized or informal approval documents or one-off tax refunds and exemptions on tax		
Government grants recognized in the profit or loss for the period (except for those closely related to the operating activities of the Company, in compliance with the requirements under the State's policies, and continuously entitled to quantitative or qualitative government grants according to certain standards)	115,985	
Capital occupancy fee from non-financial enterprises recognized through profit or loss		
Gains on acquisition of subsidiaries, joint ventures and associates due to the surplus of acquisition-date fair value of net identifiable assets in acquiree over the acquisition cost		
Profit or loss of non-monetary assets exchange		
Profit or loss on assets consigned to the third party for investment or management		
Provision of impairment of assets due to force majeure such as suffering from natural disaster		
Profit or loss from debt restructuring		
Entity restructuring expenses, i.e. expenses for staff settlement, integration costs, etc		

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV. OTHER SUPPLEMENTARY INFORMATION (Continued)

(I) Non-recurring profit and loss (Continued)

1. Details of non-recurring profit or loss (Continued)

Items	Amount	Remarks
Profit or loss from transactions with obvious unfair transaction price		
Net profit or loss for the current period on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date		
Profit or loss arising from contingencies which are non-operating activities		
Gains on changes in fair value of financial assets and liabilities which are measured by the fair value and with the variation recognized into current profit and loss; and investment income from disposal of available-for-sale financial assets, financial assets and liabilities which are measured by the fair value and with the variation recognized into current profit and loss, excluding those arising from effective hedging business related to operating activities		
Reversal of impairment provision for receivables tested for impairment on individual basis		
Profit and loss obtained by externally designated loans		
Profit or loss from changes in fair value of investment real estate with subsequent measurement at the fair value mode		
Profit or loss on reconciliation of current period profit or loss following legal and regulative requirements		
Custodian fee income arising from consigned operations		
Other non-operating income and expenses other than the aforesaid items	1,165	
Other profit or loss item that satisfied the definition of non-recurring profit or loss		
Sub-total	117,162	
Less: enterprise income tax affected (decrease in enterprise income tax represented with "-")		
Effects on non-controlling interest (after tax)		
Net non-recurring profit or loss attributable to shareholders of the parent company	117,162	

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV. OTHER SUPPLEMENTARY INFORMATION (Continued)

(II) Return on net assets and earnings per share

1. Details

Profit of the reporting period	Weighted average RONA (%)	Earnings per share (yuan/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	-57.87	-0.40	
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	-61.65	-0.43	

2. Calculation process of weighted average RONA

Items	Symbols	Current period cumulative
Net profit attributable to ordinary shareholders of the Company	A	-1,790,343
Non-recurring profit and loss	B	117,162
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	C=A-B	-1,907,505
Opening balance of net assets attributable to ordinary shareholders of the Company	D	3,988,873
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	

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

XV. OTHER SUPPLEMENTARY INFORMATION (Continued)

(II) Return on net assets and earnings per share (Continued)

2. Calculation process of weighted average RONA (Continued)

Items	Symbols	Current period cumulative
Received donation form Chongqing Iron & Steel (Group) Co., Ltd	I1	150
The accumulative number of months from the next month of the increased/decreased net assets to the end of the reporting period	J1	
Received donation form Chongqing Iron & Steel (Group) Co., Ltd	I2	170
The accumulative number of months from the next month of the increased/decreased net assets to the end of the reporting period	J2	1
Others Received donation form Chongqing Iron & Steel (Group) Co., Ltd	I3	271
The accumulative number of months from the next month of the increased/decreased net assets to the end of the reporting period	J3	2
Received donation form Chongqing Iron & Steel (Group) Co., Ltd	I4	171
The accumulative number of months from the next month of the increased/decreased net assets to the end of the reporting period	J4	4
The number of months in the reporting period	K	6
Weighted average net assets	$L = D + A/2 + E \times F / K - G \times H / K \pm I \times J / K$	3,093,934
Weighted average RONA	$M = A/L$	-57.87%
Weighted average RONA after deducting non-recurring profit or loss	$N = C/L$	-61.65%

Notes to the Financial Statements (Continued)

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

Items	Symbols	Current period cumulative
Net profit attributable to ordinary shareholders of the Company	A	-1,790,343
Non-recurring profit and loss	B	117,162
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	C=A-B	-1,907,505
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 shares	F	
The accumulative number of months from the next month of the increased shares to the end of the reporting period	G	
Number of the shares decreased by repurchase, etc.	H	
The accumulative number of months from the next month of the decreased shares to the end of the reporting period	I	
Number of reduced shares in the reporting period	J	
The number of months in the reporting period	K	6
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	$M=A/L$	-0.40
Basic earnings per share after deducting non-recurring profit or loss	$N=C/L$	-0.43

(2) The calculation process of diluted earnings per share

The calculation process of diluted EPS is basically the same as that of basic EPS.

Documents Available for Inspection

Documents Available for Inspection

A copy of interim report, containing the signature of the Chairman.

A copy of financial report, containing the signatures of and sealed by the person-in-charge of the Company, the person-in-charge of the accounting work and the person-in-charge of the accounting body.

Copies of all documents which publicly disclosed in the publications designated by the CSRC during the Reporting Period.

Copies of summary of interim report published in China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily and preliminary results announcement published on the website of Hong Kong Stock Exchange.

Chairman: **Liu Dawei**

Approved by the Board for reporting and submission: 30 August 2016