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

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

(Stock Code: 1053)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

I. IMPORTANT NOTICE

1. This summary of annual report (announcement of annual results for the year ended 31 December 2014) is extracted from the annual report of the Company. For details, investors are advised to read the full text of the annual report which is published on the websites as designated by China Securities Regulatory Commission (the "CSRC") including the website of the Shanghai Stock Exchange, and the website of the Hong Kong Stock Exchange).

2. The board of directors (the "Board") of Chongqing Iron & Steel Company Limited (the "Company") and directors hereby announce the audited financial statements ("Consolidated Results") of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 prepared in accordance with the PRC GAAP.

3. The annual results of the Company for the year ended 31 December 2014 have been reviewed by the Audit Committee.

4. This announcement is published in Chinese and English respectively. If there is any difference between Chinese version and English version, the Chinese version shall prevail.

5. Company information

Abbreviated name	重慶鋼鐵	Stock code	601005
Place of listing	Shanghai Stock Exchange		
Abbreviated name	Chongqing Iron	Stock code	01053
Place of listing	The Stock Exchange of Hong Kong Limited		
Contact information	Secretary to the Board	Securities representative	
Name	You Xiao An	Peng Guo Ju	
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II. MAJOR FINANCIAL DATA AND CHANGES IN SHAREHOLDERS

1. Major financial data

Unit: RMB'000

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

	2014	2013	Changes from the same period of previous year *(%)*	2012
Net cash flow from operating activities	**2,796,783**	1,955,331	43.03	5,314,613
Revenue from operations	**12,245,057**	17,563,446	-30.28	18,458,776
Net profit attributable to the shareholders of the Company	**51,431**	-2,499,018	102.06	98,813
Net profit attributable to the shareholders of the Company after extraordinary profit and loss	**-2,536,940**	-2,499,318	-1.51	-1,868,648
Return on net assets (weighted average) *(%)*	**0.52**	-72.46	Increased by 72.98 percentage points	2.40
Basic earnings per share *(RMB per share)*	**0.012**	-1.252	100.96	0.057
Diluted earnings per share *(RMB per share)*	**0.012**	-1.252	100.96	0.057

2. Shareholdings of the top ten shareholders

Unit: share

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

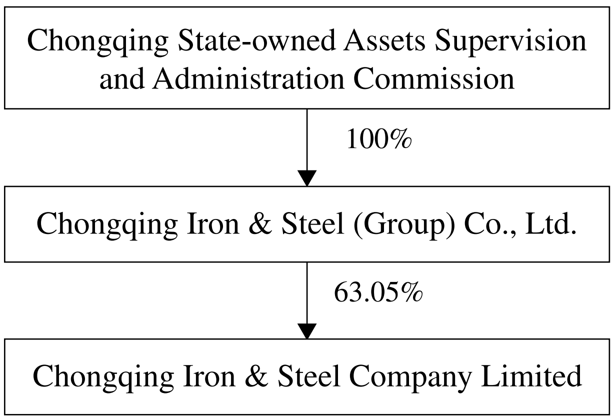
Shareholdings of the top ten shareholders

Name of shareholder	Type of shareholders	Shareholding percentage *(%)*	Total number of shares held	Number of shares subject to trading moratorium	Number of shares pledged or frozen	
Chongqing Iron & Steel (Group) Co., Ltd.	State-owned legal person	63.05	2,796,981,600	1,996,181,600	Pledged and frozen	871,336,000
HKSCC NOMINEES LIMITED	Foreign legal person	11.91	528,449,670	0	Unknown	
Chongqing Energy Investment Group Co., Ltd. (重慶市能源投資集團公司)	State-owned legal person	3.32	147,150,000	0	Unknown	

CCB Principal Asset-CMBC-China Fortune Trust-China Fortune Trust•No.685 Securities Investment Collected Fund Trust Scheme (建信基金—民生銀行—華鑫信託—華鑫信託·685號證券投資集合資金信託計劃)	Unknown	2.24	99,502,860	0	Unknown
Chongqing Water Assets Management Co., Ltd. (重慶市水務資產經營有限公司)	State-owned legal person	0.53	23,600,000	0	Unknown
China Resources Szitic Trust Co.,ltd. — Runjin No.71 Collected Fund Trust Scheme (華潤深國投信託有限公司一潤金71號集合資金信託計劃)	Unknown	0.47	20,712,600	0	Unknown
Zhang Zhengwei (張正委)	Domestic natural person	0.21	9,207,310	0	Unknown
Gao Zhiyong (高志勇)	Domestic natural person	0.09	3,973,310	0	Unknown
Yang Xiuchun (楊秀春)	Domestic natural person	0.08	3,458,253	0	Unknown
Shen Yan (沈燕)	Domestic natural person	0.07	3,100,000	0	Unknown

Explanation about connected relationship and acts in concert of the above shareholders	There is no connection between the Parent Company and other 9 shareholders and they are not parties acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Companies' Shareholders. The Company is not aware of any connected relationship among the other 9 shareholders or whether they are parties acting in concert.
Explanation about holders of preference shares with restored voting rights and the number of shares they held	Nil.

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



III. DIVIDENDS

As audited by auditors, the Group achieved net profit attributable to shareholders of the Company of RMB51,431,000 in 2014, but the net profit after extraordinary profit and loss was RMB-2,536,940,000.

The Company still suffered losses after extraordinary profit and loss in 2014, due to low profitability of the steel industry and higher operating cost at the Company's New District. Since the subsequent capital demand is still huge, and profit was relatively low throughout the year, the Board proposed neither to distribute profit (namely no dividend will be distributed) for 2014 nor to transfer the capital reserve to share capital. Independent directors expressed independent opinions in respect of the Company not making any proposal for distribution of profit in cash (namely no dividend will be distributed).

IV. REVIEW OF THE GROUP'S OPERATION DURING THE REPORTING PERIOD

1. Overall operation status of the Group

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

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

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

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

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

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

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

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

2. Analysis on principal operations

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

Unit: RMB'000

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

2.2 Revenue

2.2.1 Analysis of factors causing changes in business revenue

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

2.2.2 Analysis of factors affecting the revenue from in-kind sales of the Company's products

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

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

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

2.3 Costs analysis table

Unit: RMB'000

By industry

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

By product

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

2.4 Expenses

Unit: RMB'000

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

2.5 Research and development expenses

Table of detailed research and development expenses

Unit: RMB'000

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

2.6 Detailed explanations for significant changes in the composition or sources of profit of the Company

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

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

② The period expense incurred by the Group was RMB2,317,242,000, representing an increase of RMB273,509,000 from last year, which was mainly due to the significant increase in financial costs.

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

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

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

3. Analysis on operation by industry, product or region

3.1 Principal operations by industry and product

Unit: RMB'000

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

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

3.2 Principal operations by region

Unit: RMB'000

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

4. Major suppliers and customers of the Group

Percentage in total procurement for major suppliers of the Company:
Percentage in total procurement for the largest supplier of the Company: 17%
Percentage in total procurement for the top five suppliers of the Company: 34%

Percentage in total sales for major customers of the Company:
Percentage in total sales for the largest customer of the Company: 21%
Percentage in total sales for the top five customers of the Company: 48%

None of directors, supervisors or their respective associates or any shareholder (which to the knowledge of the directors has 5% or more of equity interest in the Company) of the Company was beneficially interested in the top five suppliers or the top five customers of the Company.

5. The Operations and Results of the Group's Major Subsidiaries and Investees

RMB'000

Name of subsidiaries/investees	Principal operations	Registered capital	Shareholding Percentage %	Total assets	Net assets	Net profit
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, manufacture and sales of steelwork	70,000	73	79,008	70,780	780
Jingjiang CISC Huadong Trading Co., Ltd.(靖江重鋼華東商貿有限公司)	Sales of metal and metallic ore, manufacture and sales of environmental pollution control equipment, etc.	50,000	100	81,430	51,884	1,421

6. Analysis on financial position

6.1 Analysis table on balance sheet

Unit: RMB'000

Item	**Amount at the end of the period**	Percentage of the amount at the end of the period in total assets *(%)*	Amount at the end of the previous period	Percentage of the amount at the end of previous period in total assets *(%)*	Year-on-year increase/ decrease *(%)*	Explanation
Cash at bank and on hand	**1,246,578**	2.64	1,553,350	3.23	-19.75	
Bills receivable	**224,614**	0.48	340,783	0.71	-34.09	
Accounts receivable	**469,025**	0.99	535,906	1.12	-12.48	
Prepayments	**267,484**	0.57	364,264	0.76	-26.57	
Other receivables	**922,295**	1.96	51,859	0.11	1,678.47	
Inventories	**7,990,476**	16.95	8,792,179	18.3	-9.12	
Other current assets	**1,561,800**	3.31	1,713,216	3.57	-8.84	
Long-term equity investment	**0**	0.00	104,752	0.22	-100.00	
Available-for-sale financial assets	**5,000**	0.01	5,000	0.01	0.00	
Fixed assets	**29,731,154**	63.04	24,570,568	51.13	21	
Construction in progress	**1,913,873**	4.06	6,977,960	14.52	-72.57	
Construction materials	**12,047**	0.03	34,031	0.07	-64.60	
Liquidation of fixed assets	**0**	0.00	0	0	0.00	
Intangible assets	**2,682,651**	5.69	2,860,193	5.95	-6.21	
Deferred tax assets	**17,116**	0.04	17,866	0.04	-4.20	
Other non-current assets	**108,320**	0.23	124,050	0.26	-12.68	

Short-term loans	**2,883,600**	6.12	4,705,734	9.79	-38.72
Financial liabilities held for trading	**0**	0.00	0	0	0.00
Bills payable	**4,427,532**	9.39	2,583,300	5.38	71.39
Accounts payable	**12,422,435**	26.35	13,506,498	28.11	-8.03
Advance from customers	**987,979**	2.10	2,303,266	4.79	-57.11
Employee compensation payable	**184,805**	0.39	197,105	0.41	-6.24
Taxes payable	**11,151**	0.02	308,379	0.64	-96.38
Interest payable	**32,332**	0.07	68,372	0.14	-52.71
Other payables	**2,255,707**	4.78	1,500,212	3.12	50.36
Non-current liabilities due within one year	**3,643,690**	7.73	2,355,454	4.9	54.69
Other current liabilities	**9,508**	0.02	9,445	0.02	0.67
Long-term loans	**9,909,613**	21.02	7,348,938	15.3	34.84
Debentures payable	**0**	0.00	1,976,699	4.11	-100.00
Long-term payables	**222,407**	0.47	1,083,193	2.25	-79.47
Other non-current liabilities	**168,548**	0.36	163,079	0.34	3.35

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.2 Items of income statement (please see the section headed "2.2 Revenue")

6.3 Cash flow

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

Items of cash flow statement

Unit: RMB'000

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

V. PROSPECTS (MANAGEMENT DISCUSSION AND ANALYSIS CONCERNING FUTURE DEVELOPMENT OF THE COMPANY)

1. Industrial competition and developmental trend

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

2. Development strategy of the Company

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

3. Business plan and working priorities

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

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

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

3.3 Enhancing sales to advance marketing system reform.

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

3.5 Intensifying corporate reform to achieve benefit therefrom.

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

4. Capital needed for maintaining current business and completing invested projects under construction

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

VI. POTENTIAL RISKS

1. Industry-related risk

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

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

2. Resource-related risk

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

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

VII. SIGNIFICANT EVENTS

1. Compliance with Corporate Governance Code and the Code of Corporate Governance for Listed Companies

As the Company was listed on Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), it shall comply with the requirements of the Code of Corporate Governance for Listed Companies of China Securities Regulatory Commission ("CSRC") and the Corporate Governance Code of the Stock Exchange in respect of corporate governance practices besides applicable laws and regulations. During the reporting period, the corporate governance of the Company was in line with the requirements of the Code of Corporate Governance for Listed Companies, and all provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were adopted.

2. Model Code for Securities Transactions by Directors and Supervisors

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

3. Corporate Governance Practices

The Company strives to raise the standard of corporate governance and regards corporate governance as part of value creation, so as to reflect the commitment of the Board and the senior management to abiding by corporate governance, maintain transparency and accountability to shareholders, and create the highest value to all shareholders.

As at 31 December 2014, the Company has practiced the corporate governance principles and complied with all the code provisions (if applicable, including most of the recommended best practices) ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.

4. Purchase, sale or Redemption of listed shares

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

5. Audit committee

5.1. Communication with external auditor

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

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

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

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

5.3. Supervising and evaluating the work of external auditor

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

5.4. Providing guidance on the internal audit of the Company

During the reporting period, the Audit Committee under the Board of the Company earnestly reviewed the Company's internal audit for 2013 and the internal audit plan for 2014, promptly supervised and urged the smooth implementation of the internal audit plan for 2014, and provide instructive opinions on the problems occurred in the Company's internal audit to improve the Company's efficiency of internal audit.

5.5. Reviewing the establishment and implementation of the internal control system

During the reporting period, the Audit Committee under the Board gave full play to the role of professional committee to proactively propel the construction of the Company's internal control system and supervise and urge the construction of the Company's standard internal control system. During the reporting period, the Audit Committee under the Board of the Company reviewed the Company's self-assessment report on internal control and considered that there was no material or significant defect with the Company's internal control, and reviewed the audit report on internal control issued by KPMG Huazhen Certified Public Accountants and considered that that the Company maintained effective internal control on financial reporting in all material aspects.

6. During the reporting period, there were material custody, contracting, leasing of assets between the company and other companies, but the company did not have any wealth management matters.

6.1 Leases

Unit: RMB'000

Name of lessor	Name of lessee	Status of leased assets	Amounts of assets leasing	Date of commencement of lease	Expiry date of lease	Gain on lease	Basis of determination of such gain	Effect of gain on lease on the company	Connected transaction or not	Connected relations
Chongqing Iron & Steel Company Limited	Chengdu Chuangmeijia Decoration Engineering Co., Ltd. (成都創美家裝飾工程有限公司)	Normal	6,084	1 January 2014	31 December 2014	660.8	Pay-in slip of bank	It formed part of other operating income	No	Other
Chongqing Iron & Steel Company Limited	Chongqing Zhanqin Machinery Co., Ltd. (重慶展欽機械有限公司)	Normal	133	1 August 2014	31 July 2014	2	Pay-in slipof bank	It formed part of other operating income	No	Other

7. Auditors

As approved at 2010 annual general meeting of the Company, the Board reappointed KPMG Huazhen Certified Public Accountants and KPMG as the auditors of the Company respectively. On 18 March 2011, a resolution was passed at the 2011 first extraordinary general meeting of the Company, pursuant to which the Company's international auditor KPMG ("International Auditor"), which was appointed at the 2009 annual general meeting, was dismissed, and KPMG Huazhen Certified Public Accountants was retained to audit the financial statements for the year 2011 prepared under the PRC Accounting Standards for Business Enterprises and issue audit opinion in accordance with PRC auditing standards and to undertake all such activities as required to be performed by International Auditors under the Listing Rules (including preliminary announcement on annual results, annual review of continuing connected transactions, etc.). The dismissal of International Auditor helps to improve efficiency and reduce information disclosure costs. There are no disagreements between the Company and the International Auditor. The dismissal has gone through necessary procedures in compliance with relevant laws, listing rules of the listing place and the Articles of Association. On 16 May 2014, the 2013 annual general meeting of the Company passed the "Proposal for Re-appointment of KPMG Huazhen Certified Public Accountants (Special General Partnership) as the Auditor and Internal Control Auditor of the Company for the Year 2014". KPMG Huazhen Certified Public Accountants has audited the financial statements prepared under PRC GAAP as enclosed herein. The Company paid RMB5.20 million of audit fee for integrated auditing service. As at the end of the reporting period, KPMG Huazhen Certified Public Accountants had provided auditing service for the Company for 8 years.

8. Report of the Supervisory Committee

The Supervisory Committee is in the opinion that there was no problem in legality of the Company's operation, the Company's financial status, the use of proceeds, acquisition and disposal of assets by the Company and connected transactions.

VIII. RELEVANT MATTERS TO THE FINANCIAL REPORT

1 As compared to the financial report for the previous year, the changes in accounting policies and accounting estimates and the effects thereof are as follows:

(1) Changes in accounting policies

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

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

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

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

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

(i) Disclosure of Interest in Other Entities

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

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

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

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

(b) Effects of the changes on financial statements

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

(2) Changes in accounting estimates

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

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

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

2 There was no change in retrospective restatement of major accounting errors in the reporting period.

3 As compared to the financial report for the previous year, Chongqing Iron & Steel Group Electronic Company Limited and Chongqing Iron & Steel Group Transportation Company Limited, which were subsidiaries of the Company, are not included in the coverage of the consolidated financial statements due to adjustments made accordingly after the agreement on disposal of 100% equity interest in both subsidiaries to the Parent Group was effected.

4 The auditing firm has issued a standard unqualified annual financial report.

IX. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR 1 JANUARY 2014 TO 31 DECEMBER 2014 PREPARED IN ACCORDANCE WITH THE PRC GAAP

Chongqing Iron and Steel Company Limited

Consolidated balance sheet as at 31 December 2014

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

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

Balance Sheet as at 31 December 2014

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

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

Consolidated Income Statement

for the year ended 31 December 2014

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

	2014	2013
VI. Other comprehensive income, net of tax		
Other comprehensive income (net of tax) attributable to shareholders of the Company		
(1) Items that will not be reclassified to profit or loss:		
1. Remeasurement of Defined benefit plan liability	**—**	—
2. Share of other comprehensive income of the equity-accounted investee	**—**	—
(2) Items that may be reclassified to profit or loss:		
1. Share of other comprehensive income of the equity-accounted investee	**—**	—
2. Gains or losses arising from changes in fair value of available-for-sale financial assets	**—**	—
3. Effective hedging portion of gains or losses arising from cash flow hedging instruments	**—**	—
4. Translation differences arising on translation of foreign currency financial statements	**—**	—
5. Others	**—**	—
Other comprehensive income (net of tax) attributable to non-controlling interests	**—**	—
VII. Total comprehensive income for the year	**51,643**	(2,499,018)
Total comprehensive income attributable to:		
Shareholders of the parent company	**51,431**	(2,499,018)
Minority interests	**212**	—
VIII. Earnings per share		
(1) Basic earnings per share	**0.012**	(1.252)
(2) Diluted earnings per share	**0.012**	(1.252)

Income Statement

for the year ended 31 December 2014

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

Consolidated Cash Flow Statement

for the year ended 31 December 2014

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

Cash Flow Statement

for the year ended 31 December 2014

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

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

Consolidated Statement of Changes in Shareholder's Equity

for the year ended 31 December 2014

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

Consolidated Statement of Changes in Shareholder's Equity

for the year ended 31 December 2013

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

Statement of Changes in Shareholder's Equity

for the year ended 31 December 2014

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

Statement of Changes in Shareholder's Equity

for the year ended 31 December 2013

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

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

The annual report of the Company for the year ended 31 December 2014 will be published on the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.cqgt.cn) respectively on or before 31 March 2015.

By order of the Board
Chongqing Iron & Steel Company Limited
You Xiao An
Secretary to the Board

Chongqing, the PRC, 30 March 2015

As at the date of this announcement, the Directors of he Company are: Mr. Zhu Jian Pai (Non-executive Director), Mr. Zhou Hong (Non-executive Director), Mr. Li Ren Sheng (Executive Director), Mr. Zhang Li Quan (Executive Director), Mr. Yao Xiao Hu (Executive Director), Mr. Xin Qing Quan (Independent Non-executive Director), Mr. Xu Yi Xiang (Independent Non-executive Director) and Mr. Liu Tian Ni (Independent Non-executive Director).