

PUBLIC RECORD

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Shandong Iron and Steel Co., Ltd.

Audit Report

RHSZ [2015] No. 37070051

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Audit Report

RHSZ [2015] No. 37070051

To all shareholders of Shandong Iron and Steel Co., Ltd.,

We have audited the attached financial statements of Shandong Iron and Steel Co., Ltd. (hereinafter referred to as the "Company"), including the Consolidated Balance Sheet and the Balance Sheet of the Company as of December 31, 2014 and the Consolidated Income Statement and the Income Statement of the Company, the Consolidated Cash Flow Statement and the Cash Flow Statement of the Company, the Consolidated Statement of Changes in Shareholders' Equity and the Statement of Changes in Shareholders' Equity of the Company, as well as the Annotations to Financial Report of 2014.

I. Responsibility of the management to the financial statements

To compile and fairly prepare the financial statements is the responsibility of management authority of your company which includes: (1) Prepare the financial statements in accordance with the provisions of Accounting Standard for Business Enterprises and fairly reflect the financial position of your company; (2) Design, implement and maintain the internal control related to the preparation of the financial statements to ensure that the financial statements are free of material misstatement due to corrupt or error.

II. Responsibility of the certified public accountants

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

The audit involves performing procedures to obtain audit evidences about the amounts and disclosures in the financial statements. The choice of audit procedure depends on the judgment of certified public accountant including the risk assessment of material misstatement due to corrupt and error. During the conduct of risk assessment, we take the internal control related to the preparation of financial statements into account in order to design the appropriate audit procedure. The audit also includes the assessment of the appropriation for the accounting policy chosen by management authority, the rationality of the accounting appraisal conducted by the management authority and overall report of the financial statements.

We believe that the audit evidences of us are sufficient and appropriate, and have provided a basis for our opinion.

III. Auditing opinion

In our opinion, the financial statements of your company have prepared in accordance with the provisions of Accounting Standard for Business Enterprises, in all material respects fairly

reflect the financial position of your company on Dec. 31, 2014 and the consolidated business result and cash flow, as well as those of the Company of 2014.

Ruihua Certified Public Accountants (Special General Partner) China Certificated Public Accountant:

Ruihua Certified Public Accountants (Special General Partner) (Seal)



Beijing, China

A handwritten signature in black ink over a red square seal. The seal contains Chinese characters.

China Certificated Public Accountant:

A handwritten signature in black ink over a red square seal. The seal contains Chinese characters.

April 9, 2015

Consolidated Balance Sheet

Prepared by: Shandong Iron and Steel Co., Ltd.

Unit: RMB Yuan

Item	Annotation	Dec. 31, 2014	December 31, 2013
Current assets:			
Monetary funds	VI. 1	2,216,684,330.99	2,116,160,163.13
Financial assets measured by fair value and whose changes should be put into current profit and loss			
Derivative financial assets			
Notes receivable	VI. 2	885,309,228.52	3,320,678,822.10
Accounts receivable	VI. 3	382,664,479.01	461,603,381.91
Advanced payment	VI. 4	809,835,438.44	414,809,750.89
Interest receivable			
Dividends receivable			
Other receivables	VI. 5	309,855,506.79	275,369,787.43
Inventories	VI. 6	4,087,448,000.42	6,428,957,708.54
Assets classified as held-for-sale assets			
Non-current assets due within one year			
Other current assets	VI. 7	132,460,081.08	245,217.18
Total current assets		8,824,257,065.25	13,017,824,831.18
Non-current assets:			
Financial assets available for sale	VI. 8	183,400,000.00	183,400,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	VI. 9	15,075,550.52	14,855,359.78
Investment real estates			
Fixed assets	VI. 10	35,950,644,823.89	33,554,196,279.12
Construction in progress	VI. 11	1,657,489,762.62	4,542,807,078.74
Construction materials			
Disposal of fixed assets	VI. 12	10,340,757.40	1,137,354.98
Productive living assets			
Oil and gas assets			
Intangible assets	VI. 13	156,001,896.60	159,362,712.31
Development expenditure			
Goodwill			
Long-term prepaid expenses	VI. 14		191,920.71
Deferred income tax assets	VI. 15	76,333,638.36	80,993,736.32
Other non-current assets	VI. 16	89,187,461.94	
Total non-current assets		38,138,473,891.33	38,536,944,441.96
Total assets		46,962,730,956.58	51,554,769,273.14

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Consolidated Balance Sheet (Continued)

Prepared by: Shandong Iron and Steel Co., Ltd.

Unit: RMB Yuan

Item	Annotation	Dec. 31, 2014	December 31, 2013
Current liabilities:			
Short-term loans	VI. 17	13,306,070,473.22	11,461,552,780.21
Financial liabilities measured by fair value and the changes should be put into current profit and loss			
Derivative financial liabilities			
Notes payable	VI. 18	1,221,950,000.00	802,743,669.74
Accounts payable	VI. 19	12,092,488,534.79	18,467,538,878.86
Advances from customers	VI. 20	1,833,821,781.96	2,068,880,434.68
Employee remuneration payable	VI. 21	495,587,611.72	270,108,161.37
Tax payable	VI. 22	50,417,354.41	-18,658,814.55
Interest payable	VI. 23	100,972,287.68	112,563,866.70
Dividends payable	VI. 24	1,694,029.60	1,694,029.60
Other payables	VI. 25	635,634,363.02	513,428,985.25
Liabilities classified as held-for-sale assets			
Non-current liabilities due within one year	VI. 26	2,242,275,039.26	225,600,000.00
Other current liabilities	VI. 27		2,613,277.01
Total current liabilities		31,980,911,475.66	33,908,065,268.87
Non-current Liabilities:			
Long-term loans	VI. 28	483,409,375.53	2,506,906,799.36
Bonds payable	VI. 29	2,000,000,000.00	2,000,000,000.00
Incl.: Preferred stock			
Perpetual bond			
Long-term accounts payable	VI. 30	696,401,841.59	
Long-term accrued payroll payable	VI. 31	49,691,483.98	
Special payables			
Expected liabilities	VI. 32	24,953,563.40	28,000,000.00
Deferred income	VI. 33	62,163,976.76	52,023,976.76
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		3,316,620,241.26	4,586,930,776.12
Total liabilities		35,297,531,716.92	38,494,996,044.99
Shareholder's equity:			
Equity	VI. 34	6,436,295,797.00	6,436,295,797.00
Other equity instruments			
Incl.: Preferred stock			
Perpetual bond			

Shandong Iron and Steel Company Limited, Laiwu Company
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Capital reserves	VI. 35	7,664,456,219.41	7,664,456,219.41
Less: Treasury stock			
Other comprehensive income			
Special reserves	VI. 36	13,723,585.67	11,783,348.83
Surplus reserves	VI. 37	715,200,012.60	715,200,012.60
Reserve for universal-risk			
Undistributed profits	VI. 38	-3,217,071,648.57	-1,818,657,333.80
Total shareholders' equity attributable to the parent company		11,612,603,966.11	13,009,078,044.04
Minority interests		52,595,273.55	50,695,184.11
Total shareholder's equity		11,665,199,239.66	13,059,773,228.15
Total liabilities and shareholder's equity		46,962,730,956.58	51,554,769,273.14

The notes to financial statements on Page 13-106 are the integral part of these financial statements.

Financial statements on Page 3-12 shall be signed by the following persons:

Legal Representative:

Principal of Accounting Work:

Principal of Accounting Department:

Consolidated Income Statement

2014

Prepared by: Shandong Iron and Steel Co., Ltd.

Unit: RMB Yuan



Item	Annotation	This year's number	Number of last year
I. Total operating income		51,865,217,366.28	70,469,797,409.65
Incl.: Operating income	VI. 39	51,865,217,366.28	70,469,797,409.65
II. Total operating costs		53,228,245,701.63	70,443,479,685.74
Incl.: Operating cost	VI. 39	49,737,793,987.92	66,998,647,103.07
Business tax and surcharges	VI. 40	143,639,233.38	162,890,558.25
Sales expenses	VI. 41	265,958,003.74	216,609,444.12
Administrative expenses	VI. 42	2,055,289,219.36	1,896,422,073.84
Financial expenses	VI. 43	938,778,004.14	938,073,242.01
Asset impairment loss	VI. 44	86,787,253.09	230,837,264.45
Add: Sound Value Flexible Profit (Loss expressed with "-")	VI. 45		-27,143,440.15
Investment Income (Loss expressed with "-")	VI. 46	2,829,114.02	279,998,380.45
Incl.: Investment income on the associated company and joint venture	VI. 46	1,748,417.74	1,694,907.68
III. Operating profits (Losses expressed with "-")		-1,360,199,221.33	279,172,664.21
Add: Non-operating income	VI. 47	15,115,788.04	34,827,411.88
Incl.: Profit from dealing with non-current assets	VI. 47	2,303,814.10	23,544,944.20
Less: Non-operating expense	VI. 48	30,626,608.27	95,524,874.30
Incl.: Loss on disposal of non-current assets	VI. 48	15,582,453.50	26,094,088.79
IV. Total profits (Losses expressed with "-")		-1,375,710,041.56	218,475,201.79
Less: Income tax expense	VI. 49	17,864,183.77	54,637,042.36
V. Net profits (Losses expressed with "-")		-1,393,574,225.33	163,838,159.43
Net profits attributable to shareholders of the parent company of the current period		-1,398,414,314.77	158,294,827.37
Minority interests		4,840,089.44	5,543,332.06
VI. Net amount after deducting other comprehensive income tax			
After-tax net amount of other comprehensive income attributable to the shareholders of the parent company			
(I) Other comprehensive income that can not be re-classified as profit or loss			
1. Changes resulting from the re-measurement of net liabilities and assets of defined benefit plan			
II. The share enjoyed by the investment entity among other comprehensive incomes that can not be re-classified as profit or loss under the equity method			


(II) Other comprehensive income that will be re-classified as profit or loss			
1. The share enjoyed by the investment entity among other comprehensive incomes that will be re-classified as profit or loss under the equity method			
2. Net value of the changes in fair value of available-for-sale financial assets			
3. Hold to maturity investments re-classified as profit and loss of available-for-sale financial assets			
4. Effective part of the cash flow hedging profit and loss			
Foreign currency translation differences			
6. Others			
After-tax net amount of other comprehensive income attributable to the minor shareholders			
VII. Total comprehensive income		-1,393,574,225.33	163,838,159.43
Total amount of comprehensive income attributable to the parent company's shareholders		-1,398,414,314.77	158,294,827.37
Total amount of comprehensive income attributable to the minor shareholders		4,840,089.44	5,543,332.06
VIII. Earnings per share:			
(I) Basic earnings per share	XVII. 2	-0.2173	0.0246
(II) Diluted earnings per share	XVII. 2	-0.2173	0.0246

The notes to financial statements on Page 13-106 are the integral part of these financial statements.

Financial statements on Page 3-12 shall be signed by the following persons:

2页的财务报表由以下人: 表附注是本财务报表的

Legal Representative:  Principal of Accounting Work: 

Principal of Accounting Department: 

Consolidated Cash Flow Statement

2014

Prepared by: Shandong Iron and Steel Co., Ltd.

Unit: RMB Yuan

Item	Annotation	This year's number	Number of last year
I. Cash flow occurred in operating			
Cash received from sale of goods or rendering of services		28,451,468,857.78	41,448,709,086.91
Tax refunds			664,179.00
Cash received from other operation-related activities	VI. 50	299,421,586.94	279,341,160.15
Subtotal of cash inflows from operating activities		28,750,890,444.72	41,728,714,426.06
Cash paid for merchandise and services		24,891,408,337.67	33,121,217,766.83
Cash paid to and for staff		3,045,009,830.60	3,284,444,871.33
Cash paid for taxes		1,272,156,782.13	1,418,376,439.67
Cash paid for other operation-related activities	VI. 50	797,366,088.04	723,163,117.75
Sub-total of cash outflows from operating activities		30,005,941,038.44	38,547,202,195.58
Subtotal of cash outflows from operating activities		-1,255,050,593.72	3,181,512,230.48
II. Cash flows from investing activities			
Cash from investment		539,000,000.00	
Cash from acquisition of investment income		2,697,249.52	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,019,918.89	43,440,809.00
Net amount of cash received from the disposal subsidiaries and the other business entities		21,206,747.50	220,656,862.43
Other cash from other investment-related activities	VI. 50		
Subtotal of cash inflows from investment activities		565,923,915.91	264,097,671.43
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		601,243,618.67	1,735,715,831.73
Cash paid for investment		539,000,000.00	
Net cash paid for acquisition of subsidiaries and other business entities			
Other cash paid for other investment-related activities			
Subtotal of cash outflows from investment activities		1,140,243,618.67	1,735,715,831.73
Net cash flow from investment activities		-574,319,702.76	-1,471,618,160.30
III. Cash flow from financial activities:			
Cash from absorbing investment			
Incl.: Cash accepted by the subsidiaries from minor shareholders' investment			
Cash from loans		16,564,560,269.36	21,092,893,879.33
Cash received from issuance of bonds			
Cash from other financial-related activities	VI. 50	1,005,730,000.00	
Sub-total of cash inflows from financial activities		17,570,290,269.36	21,092,893,879.33
Cash repayments of debts		15,021,037,885.68	21,589,575,012.21

Shandong Iron and Steel Company Limited, Laiwu Company
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Cash payments for interest expenses and distribution of dividends or profits		873,785,975.26	1,190,442,453.30
Incl.: Dividends and profits paid by the subsidiaries to minority shareholders		2,940,000.00	1,646,047.89
Other cash payments related to financing activities	VI. 50	16,153,978.84	865,059,080.00
Sub-total of cash outflows on financing activities		15,910,977,839.78	23,645,076,545.51
Net cash flows from financial activities		1,659,312,429.58	-2,552,182,666.18
IV. Effect on cash from change in foreign exchange rate		40,786.19	31,164,184.92
V. Net increase in cash and cash equivalents	VI. 51	-170,017,080.71	-811,124,411.08
Add: BOY balance of cash and cash equivalents		1,917,250,579.97	2,728,374,991.05
VI. EOY balance of cash and cash equivalents	VI. 51	1,747,233,499.26	1,917,250,579.97

The notes to financial statements on Page 13-106 are the integral part of these financial statements.

Financial statements on Page 3-12 shall be signed by the following persons:

Legal Representative:

Principal of Accounting Work:

票人:

Principal of Accounting Department:

Consolidated Statement of Change in Shareholders' Equity

2014

Prepared by: Shandong Iron and Steel Co., Ltd.

Unit: RMB Yuan

Item	This year's number												Number of last year													
	Shareholders' equity attributable to the shareholders of the parent company											Minority interests	Total shareholder's equity	Shareholders' equity attributable to the shareholders of the parent company											Minority interests	Total shareholder's equity
	Equity	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Reserve for universal-risk	Undistributed profits			Total	Equity	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Reserve for universal-risk		
		Preferred stock	Perpetual bond	Other								Preferred stock	Perpetual bond			Other										
I Balance at the end of last year	6,436,295,797.00			7,664,456,219.41			11,783,348.83	715,200,012.60		-1,818,657,333.80	50,695,184.11	13,059,773,228.15	6,436,295,797.00			7,681,867,607.85		-17,311,271.99	11,570,850.91	715,200,012.60		-1,976,962,161.17	58,123,006.92	12,908,793,842.12		
Add: Changes in accounting policies																										
Correction of errors in prior period																										
Business Combinations under the Same Control																										
Other																										
II Year-opening balance	6,436,295,797.00			7,664,456,219.41			11,783,348.83	715,200,012.60		-1,818,657,333.80	50,695,184.11	13,059,773,228.15	6,436,295,797.00			7,681,867,607.85		-17,311,271.99	11,570,850.91	715,200,012.60		-1,976,962,161.17	58,123,006.92	12,908,793,842.12		
III Increase and decrease amount of the current year (Loss expressed with "-")							1,940,236.84			-1,398,414,314.77	1,900,089.44	-1,394,573,988.49				-17,411,388.44		17,311,271.99	212,497.92			158,294,827.37	-7,427,822.81	150,979,386.03		
(I) Total comprehensive income										-1,398,414,314.77	4,840,089.44	-1,393,574,225.33										158,294,827.37	5,543,332.06	163,838,159.43		
(II) Owners increase or																										

Balance Sheet

Prepared by: Shandong Iron and Steel Co., Ltd.

Unit: RMB Yuan

Item	Annotation	Dec. 31, 2014	December 31, 2013
Current assets:			
Monetary funds		2,151,164,638.17	2,040,227,754.53
Financial assets measured by fair value and whose changes should be put into current profit and loss			
Derivative financial assets			
Notes receivable		830,859,655.59	3,234,490,936.43
Accounts receivable	XVI. 1	216,402,660.20	294,261,770.99
Advanced payment		601,346,352.84	251,076,720.65
Interest receivable			
Dividends receivable			
Other receivables	XVI. 2	463,761,936.72	420,590,908.43
Inventories		3,902,545,943.30	6,172,085,873.63
Assets classified as held-for-sale assets			
Non-current assets due within one year			
Other current assets		88,796,884.53	
Total current assets		8,254,878,071.35	12,412,733,964.66
Non-current assets:			
Financial assets available for sale		183,400,000.00	183,400,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investment	XVI. 3	2,163,663,110.52	2,163,442,919.78
Investment real estates			
Fixed assets		34,389,883,987.29	32,685,295,974.64
Construction in progress		1,431,856,212.82	3,636,773,652.03
Construction materials			
Disposal of fixed assets		10,340,757.40	1,137,354.98
Productive living assets			
Oil and gas assets			
Intangible assets		152,791,896.60	155,804,545.78
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred income tax assets		70,339,615.69	75,217,576.83
Other non-current assets		89,187,461.94	
Total non-current assets		38,491,463,042.26	38,901,072,024.04
Total assets		46,746,341,113.61	51,313,805,988.70

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Balance Sheet (Con.)

Prepared by: Shandong Iron and Steel Co., Ltd.

Unit: RMB Yuan

Item	Annotation	2014.12.31	2013.12.31
Current liabilities:			
Short-term loans		13,306,070,473.22	11,461,552,780.21
Financial liabilities measured by fair value and the changes should be put into current profit and loss			
Derivative financial liabilities			
Notes payable		1,221,950,000.00	775,943,669.74
Accounts payable		12,203,326,655.26	18,575,952,282.24
Advances from customers		1,720,312,783.20	1,892,312,675.15
Employee remuneration payable		491,615,916.71	266,579,976.38
Tax payable		38,741,214.59	18,643,835.48
Interest payable		100,972,287.68	112,563,866.70
Dividends payable		1,694,029.60	1,694,029.60
Other payables		600,828,585.49	473,243,270.21
Liabilities classified as held-for-sale assets			
Non-current liabilities due within one year		2,242,275,039.26	225,600,000.00
Other current liabilities			2,613,277.01
Total current liabilities		31,927,786,985.01	33,806,699,662.72
Non-current Liabilities:			
Long-term loans		483,409,375.53	2,506,906,799.36
Bonds payable		2,000,000,000.00	2,000,000,000.00
Incl.: Preferred stock			
Perpetual bond			
Long-term accounts payable		696,401,841.59	
Long-term accrued payroll payable		49,691,483.98	
Special payables			
Expected liabilities		24,953,563.40	28,000,000.00
Deferred income		62,163,976.76	52,023,976.76
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		3,316,620,241.26	4,586,930,776.12
Total liabilities		35,244,407,226.27	38,393,630,438.84
Shareholder's equity:			
Equity		6,436,295,797.00	6,436,295,797.00
Other equity instruments			
Incl.: Preferred stock			
Perpetual bond			
Capital reserves		7,613,321,351.56	7,613,321,351.56

Shandong Iron and Steel Company Limited, Laiwu Company

Exhibit A-3.11-1

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Less: Treasury stock			
Other comprehensive income			
Special reserves		9,793,063.48	8,152,363.03
Surplus reserves		715,200,012.60	715,200,012.60
Reserve for universal-risk			
Undistributed profits		-3,272,676,337.30	-1,852,793,974.33
Total shareholder's equity		11,501,933,887.34	12,920,175,549.86
Total liabilities and shareholder's equity		46,746,341,113.61	51,313,805,988.70

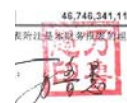
The notes to financial statements on Page 13-106 are the integral part of these financial statements.

Financial statements on Page 3-12 shall be signed by the following persons:

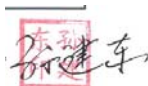
Legal Representative:



Principal of Accounting Work:



Principal of Accounting Department:



Income Statement

2014

Prepared by: Shandong Iron and Steel Co., Ltd.


Unit: RMB Yuan


Item	Annotation	This year's number	Number of last year
I. Operating income	XVI. 4	51,165,711,675.61	61,476,037,385.94
Less: Operating cost	XVI. 4	49,253,340,135.37	58,562,752,907.93
Business tax and surcharges		138,132,426.85	154,138,688.91
Sales expenses		186,057,359.84	129,881,436.51
Administrative expenses		1,973,293,973.80	1,768,606,863.28
Financial expenses		932,260,902.68	860,965,096.73
Asset impairment loss		85,585,572.33	220,454,426.75
Add: Sound Value Flexible Profit (Loss expressed with "-")			
Investment Income (Loss expressed with "-")	XVI. 5	5,889,114.02	455,953,268.12
Incl.: Investment income on the associated company and joint venture		1,748,417.74	1,694,907.68
II. Operations profit (Loss expressed with "-")		-1,397,069,581.24	235,191,233.95
Add: Non-operating income		12,848,959.06	26,962,575.49
Incl.: Profit from dealing with non-current assets		2,303,814.10	23,461,587.46
Less: Non-operating expense		30,461,313.64	93,784,890.39
Incl.: Loss on disposal of non-current assets		15,581,448.38	26,089,087.58
III. Total Profits (Total Losses expressed with "-")		-1,414,681,935.82	168,368,919.05
Less: Income tax expense		5,200,427.15	9,238,441.64
IV. Net profits (Net losses expressed with "-")		-1,419,882,362.97	159,130,477.41
V. Net amount after deducting other comprehensive income tax			
(I) Other comprehensive income that can not be re-classified as profit or loss			
1. Changes resulting from the re-measurement of net liabilities and assets of defined benefit plan			
2. The share enjoyed by the investment entity among other comprehensive incomes that can not be re-classified as profit or loss under the equity method			
(II) Other comprehensive income that will be re-classified as profit or loss			
1. The share enjoyed by the investment entity among other comprehensive incomes that will be re-classified as profit or loss under the			

equity method			
2. Net value of the changes in fair value of available-for-sale financial assets			
3. Hold to maturity investments re-classified as profit and loss of available-for-sale financial assets			
4. Effective part of the cash flow hedging profit and loss			
5. Foreign currency translation differences			
6. Others			
VI. Total amount of comprehensive income		-1,419,882,362.97	159,130,477.41

The notes to financial statements on Page 13-106 are the integral part of these financial statements.

Financial statements on Page 3-12 shall be signed by the following persons:

Legal Representative: 

Principal of Accounting Work: 

Principal of Accounting Department: 

Cash Flow Statement

2014

Prepared by: Shandong Iron and Steel Co., Ltd.

Unit: RMB Yuan


Item	Annotation	This year's number	Number of last year
I. Cash flow occurred in operating activities			
Cash received from sale of goods or rendering of services		30,213,071,331.30	37,065,646,251.39
Tax refunds			445,200.00
Cash received from other operation-related activities		286,557,326.88	235,656,198.33
Subtotal of cash inflows from operating activities		30,499,628,658.18	37,301,747,649.72
Cash paid for merchandise and services		26,863,196,198.61	26,851,035,551.99
Cash paid to and for staff		2,974,041,479.13	3,187,760,340.83
Cash paid for taxes		1,201,922,992.06	1,331,040,212.26
Cash paid for other operation-related activities		759,312,499.06	540,629,876.00
Sub-total of cash outflows from operating activities		31,798,473,168.86	31,910,465,981.08
Subtotal of cash outflows from operating activities		-1,298,844,510.68	5,391,281,668.64
II. Cash flows from investing activities			
Cash from investment		539,000,000.00	
Cash from acquisition of investment income		5,757,249.52	1,713,233.49
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,019,918.89	43,440,809.00
Net amount of cash received from the disposal subsidiaries and the other business entities		21,206,747.50	584,000,000.00
Other cash from other investment-related activities			
Subtotal of cash inflows from investment activities		568,983,915.91	629,154,042.49
Cash paid for purchase of fixed assets, intangible assets and other long-term assets		552,036,985.93	1,657,833,640.15
Cash paid for investment		539,000,000.00	
Other cash paid for other investment-related activities			
Subtotal of cash outflows from investment activities		1,091,036,985.93	1,657,833,640.15
Net cash flow from investment activities		-522,053,070.02	-1,028,679,597.66
III. Cash flow from financial activities:			
Cash from absorbing investment			
Cash from loans		16,564,560,269.36	12,495,333,867.60


Shandong Iron and Steel Company Limited, Laiwu Company
Exhibit A-3.11-1
PUBLIC RECORD

Cash received from issuance of bonds			
Cash from other financial-related activities		1,001,890,000.00	
Sub-total of cash inflows from financial activities		17,566,450,269.36	12,495,333,867.60
Cash repayments of debts		15,021,037,885.68	14,901,286,829.71
Cash payments for interest expenses and distribution of dividends or profits		870,845,975.26	957,527,786.23
Other cash payments related to financing activities		16,153,978.84	865,059,080.00
Sub-total of cash outflows on financing activities		15,908,037,839.78	16,723,873,695.94
Net cash flows from financial activities		1,658,412,429.58	-4,228,539,828.34
IV. Effect on cash from change in foreign exchange rate		40,786.19	25,468,292.82
V. Net increase in cash and cash equivalents		-162,444,364.93	159,530,535.46
Add: BOY balance of cash and cash equivalents		1,845,158,171.37	1,685,627,635.91
VI. EOY balance of cash and cash equivalents		1,682,713,806.44	1,845,158,171.37

The notes to financial statements on Page 13-106 are the integral part of these financial statements.

Financial statements on Page 3-12 shall be signed by the following persons:

Legal Representative: 
Principal of Accounting Department:

Principal of Accounting Work: 



Statement of Change in Shareholders' Equity

2014

Prepared by: Shandong Iron and Steel Co., Ltd.

Unit: RMB Yuan

Item	This year's number											Number of last year																													
	Equity	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Reserve for universal-risk	Undistributed profits	Total shareholder's equity	Equity	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Reserve for universal-risk	Undistributed profits	Total shareholder's equity																	
		Preferred stock	Perpetual bond	Other										Preferred stock	Perpetual bond	Other																									
I Balance at the end of last year	6,436,295,797.00				7,613,321,351.56			8,152,363.03	715,200,012.60		-1,852,793,974.33	12,920,175,549.86	6,436,295,797.00											7,613,321,351.56								7,849,105.19	715,200,012.60			-2,011,924,451.74	12,760,741,814.61				
Add: Changes in accounting policies																																									
Correction of errors in prior period																																									
Other																																									
II Year-opening balance	6,436,295,797.00				7,613,321,351.56			8,152,363.03	715,200,012.60		-1,852,793,974.33	12,920,175,549.86	6,436,295,797.00												7,613,321,351.56									7,849,105.19	715,200,012.60			-2,011,924,451.74	12,760,741,814.61		
III Increase and decrease amount of the current year (Loss expressed with "-")								1,640,700.45			-1,419,882,362.97	-1,418,241,662.52																									303,257.84			159,130,477.41	159,433,735.25
(I) Total comprehensive income											-1,419,882,362.97	-1,419,882,362.97																											159,130,477.41	159,130,477.41	
(II) Owners increase or reduce capital																																									

Shandong Iron and Steel Co., Ltd.

Annotations to Financial Statements of 2014

(Unless otherwise specified, the unit used in this Annotation is RMB)

I. Basic Information of the Company

Shandong Iron and Steel Co., Ltd. (hereinafter referred to as "Company" or "the Company" is the Jinan Iron and Steel Co., Ltd. (hereinafter referred to as "Jigang") through changing its name on Feb. 27, 2012. Jigang established on Dec. 29, 2000 with the approval of LTGHZ [2000] No. 40 Letter on consent of establishing Jinan Iron and Steel Co., Ltd. issued by Economic System Reform Office of Shandong Province. The Company made its IPO with the approval of ZJFXZ [2004] No. 80 issued by China Securities Regulatory Commission and was listed on Stock Exchange on June 29, 2004.

The Company's business license of enterprise legal person registration number is 370000018065444; registered address is No. 21 North Industrial Road, Jinan City; the headquarters address is No. 4 Building of Shun Tai Plaza, No. 2000 Shunhua Road, High-tech Area, Jinan City

Approved by the company registration authority, the Company's business scope covers smelting, processing and technical consulting concerning iron and steel services; production and sales of steel, heavy forging, coke and coking products, water slag and steel; sales of iron ore and similar ore; import and export business, special railway transportation; production, sales (no storage) of dangerous chemicals within the approval scope of license; coke oven gas supply, power generation, heating, water supply. The Company and its subsidiaries are mainly engaged in steel smelting, steel production and sales.

The Financial Statements is approved and reported by the Board of Directors the Company on April 9, 2015.

In 2014, there are 18 subsidiaries included in the scope of consolidation. See details in Annotation VIII "Equity in other subjects". Comparing with that the last year, the scope of consolidation has no change.

II. Basis for the preparation of financial statements

The Company has made confirmation and measurement based on the continuous operation, according to the transactions and events actually occurred and in line with the *Accounting Standards for Business Enterprises – Basic Rules* (issued according to No. 33 Order of the Ministry of Finance and revised according to No. 76 Order of the Ministry of Finance) issued by the Ministry of Finance on February 15, 2006 and 41 detailed accounting rules, guidance for the application of the accounting standards for business enterprises issued thereafter, interpretations on the accounting standards for business enterprises, other relevant regulations (hereinafter collectively referred to as “accounting standards for business enterprises”) and the provisions of “Rules for Compiling and Reporting Information Disclosure of Public Securities Company No. 15 – General requirements of financial reporting” (revised in 2014) issued by China Securities Regulatory Commission, and has prepared the financial statements on this basis.

According to relevant rules of the accounting standards for business enterprises, the Company adopts the accounting calculation based on an accrual basis. Except for some financial instruments, the financial statements shall be measured based on historical cost. In case of depreciation of

assets, provide relevant depreciation reserves according to relevant regulations.

III. Statement of abiding by Accounting Standards for Enterprises

Financial statements prepared by the Company comply with the requirement of business accounting rules, genuinely and completely reflects the financial status of the Company as of December 31 2014, and the consolidated operation results and cash flow etc and those of the Company for the year 2014. In addition, all significant aspects of the Company's financial statements are in line with the requirements for the disclosure of financial statements and notes in "*Rules for Compiling and Reporting Information Disclosure of Public Securities Company No. 15 – General provisions of financial report*" revised by China Securities Regulatory Commission in 2014.

IV. Important Accounting Policies and Accounting Appraisal

According to the actual production and operation characteristics, as well as relevant provisions of enterprise accounting standards, the Company and its subsidiaries have prepared several specific accounting policies and estimates concerning the revenue recognition, provision for bad debts of accounts receivable, fixed assets depreciation and other transactions and issues. See details in Annotation IV, "10. Accounts receivable", "14. Fixed Assets" and "22. Income", etc. As for the description about the major accounting judgments and estimates made by management, please refer to Annotation IV, "28. Significant accounting judgment and estimates".

1. Accounting period

The Company divides accounting period into annual and intermediate periods. Intermediate period refers to the reporting period less than one complete accounting year. The Company adopts calendar year for accounting period, from January 1 to December 31 of each year.

2. Business Cycle

Business cycle refers to the period stated from the enterprise's purchase of assets used for processing and ended at the realization of cash or cash equivalents. The Company's business cycle is 12 months, which is adopted as the standard for identifying the liquidity of assets and liabilities.

3. Accounts keeping unit

The Company and its domestic subsidiaries take RMB as the currency in the main economic conditions the Company is in, and take RMB as the bookkeeping currency. The Company adopts RMB in preparing the current financial statements.

4. Accounting of business combination under the same control and not under the same control

The term "business combinations" refers to a transaction or event bringing together two or more separate enterprises into one reporting entity. Business combinations are classified into the business combinations under the same control and the business combinations not under the same control.

(1) Business combination under common control

A business combination under the same control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. In a business combination under the same control, the party which obtains control of other combining enterprise(s) on the combining date is the combining party, the other combining enterprise(s) is

(are) the combined party. The "combining date" refers to the date on which the combining party actually obtains control on the combined party.

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital (share premium) shall be adjusted. If the additional paid-in capital (share premium) is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost for the business combination of the combining party shall be recorded into the profits and losses at the current period.

(2) Business combination not under the same control

A business combination not under the same control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. In a business combination not under the same control, the party which obtains the control on other combining enterprise(s) on the purchase date is the acquirer, and other combining enterprise(s) is (are) the acquiree. The "acquisition date" refers to the date on which the acquirer actually obtains the control on the acquiree.

For the business combination not under the common control, the cost of business combination includes the acquirer's assets paid, the liabilities incurred or assumed and the fair value of the equity securities issued. The expenses for auditing, legal services, assessment and consultation and other intermediary fees, as well as other administrative expenses related to the business combination shall be included in the current profit and loss. Acquirer's transaction costs of equity securities or debt securities issued as merger consideration shall be included in the initially recognized amount of equity securities or debt securities. All involving contingent consideration shall be included in the cost of merger on the acquisition date; if the contingent consideration is to be adjusted because new or further evidences showing that the situation existed on the acquisition date appear within 12 months after the acquisition date, the consolidated goodwill shall be adjusted accordingly. The acquiree's cost or merger and the fair value of the identifiable net assets on the acquisition date shall be measured at the fair value. The Company has recognized the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill. The balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree shall be treated in accordance with the following procedures: reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs; if, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the balance into the profits and losses of the current period.

For the acquiree's deductible temporary difference acquired by the acquirer, if it is unrecognized because of not meeting the conditions for recognition of deferred income tax assets on the acquisition date, new or further information obtained showing that relevant situation is existed on the acquisition date within 12 months after the acquisition date, and it is expected that the economic benefits brought about by the acquiree's deductible temporary difference on the acquisition date are able to be realized, the related deferred income tax assets shall be recognized; meanwhile, the goodwill shall be decreased; in case the goodwill is insufficient to offset, the

difference shall be recognized as the current profit and loss; except for the above circumstances, the recognized deferred income tax assets related to the business combination shall be included in the current profit and loss.

For business combination realized in stages through multiple exchange transactions, it is necessary to determine whether the multiple transactions are a "package deal" according to *No. 5 Circular of the Ministry of Finance on Issuing Enterprise Accounting Standards* (CK [2012] No. 19) and judgment standard for a "package deal" in Article 51 of *standards for Enterprises No.33 – Consolidated Financial Statements* (refer to Annotation IV, 5 (2) "Preparation method of consolidated financial statements". in case of a package deal, the Company shall make accounting treatment by referring to the above descriptions and Annotation IV, 13 "Long-term equity investment"; in the case of anything but a package deal, the corresponding accounting treatment shall be made in individual financial statement and consolidated financial statement:

In individual financial statement, it is required to take the sum of book value of equity investment of the purchased party held prior to purchase date and additional investment cost on purchase date as initial investment cost of such investment. For equity held prior to the date of acquisition involving other comprehensive income, when the investment is disposed, the accounting treatment shall be made on the basis shared with the direct disposal of relevant assets or liabilities by the investee (namely, except for the corresponding share in the change caused by net liabilities or net assets in the defined benefit plan re-measured by the acquiree according to the equity method, others are included in the investment income of the current period).

In the consolidated financial statements, the acquiree's equity held before the acquisition date shall be re-measured at the fair value of such equity on the acquisition date; and the difference between the fair value and book value shall be included in the investment income of the period when the acquisition date is included. For equity held prior to the date of acquisition involving other comprehensive income, when the investment is disposed, the accounting treatment shall be made on the basis shared with the direct disposal of relevant assets or liabilities by the investee (namely, except for the corresponding share in the change caused by net liabilities or net assets in the defined benefit plan re-measured by the acquiree according to the equity method, others are included in the investment income of the current period when the acquisition date is included).

5. Preparation method of consolidated financial statements

(1) Principles for determining the scope of consolidation

The scope of consolidated financial statements is determined on the basis of control. Control means the Company has power over an investee, and is entitled to variable return through participation in activities related to the investee, and has the ability to make a difference of the return use using its power over the investee. The scope of consolidation includes the Company and all its subsidiaries. A subsidiary is the subject controlled by the Company.

Once the changes in related facts and situations result in changes in related elements involved in control, re-valuation shall be made.

(2) The preparation of the consolidated financial statements

Since the date of obtaining the actual control right of subsidiaries, the Company will begin to consolidate them; the consolidation shall be ceased since the date of losing such actual control right. For the disposed subsidiaries, the operating results and cash flows prior to disposal have been properly included in the consolidated income statement and cash flow statement; for the subsidiaries disposed in the current period, the year-beginning amount on the consolidated balance

sheet shall not be adjusted. For the increased subsidiaries not under common control, the operating results and cash flows after the acquisition date have been properly included in the consolidated income statement and cash flow statement; and the year-beginning amount and the comparison amount in the consolidated financial statements shall not be adjusted. For increased subsidiaries under common control, the operating results and cash flows from the beginning of period of merger to the merger date have been properly included in the consolidated income statement and cash flow statement; and the comparison amount in the consolidated financial statements shall be adjusted.

Where there are inconsistent accounting policies and accounting period, when preparing the consolidated financial statements, the Company shall adjust the subsidiaries' financial statements in accordance with the Company's accounting policies and accounting period. For the subsidiary obtained under different control, when preparing the consolidated financial statements, the Company shall adjust the separate financial statements based on the fair value of identifiable net assets at the purchase date. All significant intercompany balances, transactions and unrealized profits within the Company shall be offset when preparing the consolidated financial statements. The parts of subsidiaries' equity non-attributable to Company shall be as minority equity lined separately in the owner' equity on the face of consolidated financial statements. The shares belonging to the minority shareholder's equity in the net profit and loss in the current period shall be indicated in the item of minority shareholders' equity under the net profit of consolidated financial statement. For the deficit of current period exceeding the share of owner's equity at the beginning of this year, the balance should offset against the minority shareholder's equity.

When the control on the original subsidiaries is lost because of disposal of part of equity investment or other reasons, the remaining equity shall be re-measured at the fair value on the date when the control is lost. The difference of the sum of consideration acquired by disposal of shares and the fair value of remaining equity, deducting the net assets of the subsidiaries enjoyed that are constantly calculated since the acquisition date (or merger date) according to the original shareholding ratio, shall be included in the investment income of the period when the control is lost. For other comprehensive income related to the original equity investment in subsidiaries, when the control is lost, the accounting treatment shall be made on the basis shared with the direct disposal of relevant assets or liabilities by the investee (namely, except for the change caused by net liabilities and net assets in the defined benefit plan re-measured by the original subsidiaries, others shall be included in the investment income of the current period). Subsequently, the remaining equity shall be measured in accordance with relevant provisions in accounting Standards for Enterprises No.2 - Long-term Equity Investments and Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments. See details in Annotation IV, 13 "Long-term investment" or Annotation IV, 6 "Financial assets and financial liabilities".

In the event of multiple transactions disposing equity investment of the subsidiary until control loss, it is required to distinguish whether the transaction in relation with the disposal of equity investments in subsidiaries until loss of control is a package deal. That the terms, conditions and economic impact concerning the disposal of equity investment of subsidiaries are in line with the following one or more conditions usually indicate that several transactions can be treated as a package deal: ①These transactions are entered into synchronously or when considering the mutual impact; ②These transactions in whole can achieve a complete commercial result; ③The occurrence of a transaction depends on the occurrence of at least other one transaction; ④A

transaction alone is not economical, but is economical when considering together with transactions. For anything but a “package deal”, the accounting treatment on individual transaction shall be made in accordance with “partial disposal of the long-term equity investments in subsidiaries without loss of control” (see details in Annotation IV, 13 (2) ④ “Disposal of long-term equity investment”) and the principle for the application of “partial disposal of the long-term equity investments in subsidiaries has resulted in the loss of control on the subsidiaries” (see details in the preceding paragraph). Where the transactions in relation with the disposal of equity investments in subsidiaries until loss of control are a package deal, every transaction shall be accounted for as a transaction of the disposal of a subsidiary until the loss of control; yet the before the loss of control, the difference between the price of disposal and attributable net asset shares of the subsidiary corresponding to the disposed investment shall be recognized as other comprehensive income in the consolidated financial statements, and altogether carried into the current profits and losses from the loss of control at the time of loss of control.

6. Classification of joint venture arrangements and accounting treatment of co-operation

A joint venture arrangement refers to an arrangement under the common control of two or more parties. The Company shall determine the classification of joint arrangements according to the rights enjoyed and obligations assumed. The joint arrangement is divided as joint operation and joint venture. Co-operation refers to a cooperation arrangement by which the Company is entitled to assets related to the arrangement and assumes the liabilities related to the same. A joint venture refers to a cooperation arrangement by which the Company is only entitled to the net assets of the arrangement.

The equity method shall be adopted for making accounting of the investment in joint ventures in accordance with the accounting policies stated in Annotation IV,13 (2)② “Long-term equity investments accounted for under the equity method”.

As a joint venture party, the Company shall recognize the assets independently held and the liabilities independently born by the Company in the joint operation; recognize the assets jointly held and the liabilities jointly born according the share of the Company; recognize the revenue generated by selling the share enjoyed by the Company in joint operation output; recognize the revenue generated by selling the output according to the Company's share; recognize the expense individually generated by the Company and the expense jointly generated according to the Company's share.

When the Company, as a joint venture party, investes or sell assets for joint operation (such asset does not constitute business, the same below), or during the period starting from asset acquisition for joint operation to sales of such asset to the third party, the Company shall only recognize the part attributed to other participators of the joint operation in the profit or loss generated by such transaction. In case the generation of such asset is in line with the provisions on impairment loss of assets in Accounting Standard for Business Enterprises No. 8 - Asset Impairment, the Company shall recognize such loss in full; for asset acquisition of joint operation, the Company shall bear such loss according to its share.

7. Standard for the recognition of cash and cash equivalents

Cash and cash equivalents of the Company include cash on hand, deposits used for payment from time to time, and investment held by the Company with short maturity period (generally within three months as of the date of purchasing), good liquidity, easily turned to be known amount of cash and with low risk of value changes.

8. Foreign currency transaction

(1) Conversion of foreign currency transaction

At the first recognition, foreign currency transaction incurred by the Company will be converted into the bookkeeping currency by the spot exchange rate, but foreign currency exchange business or transaction involving foreign currency exchange incurred by the Company shall be converted into the bookkeeping currency based on exchange rate practically applied.

(2) Conversion method of monetary items and non-monetary items of foreign currency

On the financial statement date, foreign currency monetary items will be converted by the spot exchange rate on the date, and the balance of exchange thus incurred will be incorporated into the gains and losses of the current period, except for (i). Balance of exchange generated from the specific foreign currency loans relating to the acquisition of assets conforming to capitalization conditions shall be capitalized; (ii). Balance of exchange generated from the changes of book balance in the foreign currency monetary items held for sales (except for amortization cost).

Foreign currency non-monetary items measured by historical cost shall be converted into the spot exchange rate on the transaction date. Foreign currency non-monetary items measured by fair value shall be converted by the spot exchange rate on the fair value determination date, and the difference of the converted bookkeeping currency sum and the original bookkeeping currency sum will be treated as fair value changes (including exchange rate changes), which will be incorporated into gains and losses of the current period, or recognized as other comprehensive gains and be included in capital reserves.

9. Financial instruments

A financial asset or financial liability shall be recognized when the Company becomes a party to the contract of the financial instruments. Financial assets or liabilities are measured by fair value at the time of initial recognition. As for financial assets or liabilities which are measured by fair value and whose variations are charged to current profit and loss, the relevant transaction costs will be charged to current profit and loss, while the transaction costs for other type of financial assets or liabilities are charged to the initially recognized amount.

(1) Determination of the fair value of financial assets and financial liabilities

Fair value is the price receivable for the disposal of an asset or payable for the transfer of a liability in an orderly transaction conducted by market participants on the measurement date. In case of animated market for the financial instrument, the Company will determine the fair value based upon the quotation in the animated market. Quotation in the animated market refers to the price easily available from stock exchange, brokers, industry society and pricing service entities etc, which represents the price of practical market transaction. Where there is no animated market for the financial instrument, the Company will determine the fair value based on valuation technique. Valuation technique includes the price applied by parties willing to trade, the current fair value of other financial instruments essentially the same, discounted cash flow technique and option pricing model etc.

(2) Categorization, recognition and measurement of financial assets

Financial assets traded by common manner will be recognized and stopped recognition on the trading date. At the initial recognition, financial assets will be categorized as the financial assets measured by fair value with the changes of which be counted in current gains/losses, investment held to maturity, loan, accounts receivable and held for sales financial assets.

① Financial assets which are measured by fair value and whose variations are charged to

current profit and loss

Including trading financial assets and financial assets directly specified to be measured at fair value and charged into current profit or loss.

Trading financial assets refer to the financial assets meeting one of the following conditions: A. The purpose to acquire the said financial assets is mainly for selling in the near future; B. Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the enterprise may manage the combination by way of short-term profit making in the near future; C. Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

The financial assets or financial liabilities meeting any of the following requirements can be designated, when they are initially recognized, as financial assets or financial liabilities as measured at its fair value and of which the variation is included in the current profits and losses: A. The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arisen from the different basis of measurement of the financial assets or financial liabilities; B. The official written documents on risk management or investment strategies of the enterprise concerned have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel.

Financial assets measured by fair value and the changes of which be recognized as current gains/losses shall be subject to subsequent measurement by fair value, and the gains or losses formed due to the change of fair value and the income of dividend and interest relating to the financial assets shall be recognized as current gains/losses.

②Held-to-maturity investment

Held-to-maturity investment refers to the non-derivative financial assets which have fixed maturity dates, fixed or determinable recovery amount that and which the Company has the positive intention and ability to hold to maturity.

Held-to-maturity investment shall be subject to subsequent measurement by amortization cost in accordance with practical interest method, and the profits or losses generated in stopping recognition, depreciation or amortization shall be included in current gains/losses.

The actual interest rate method refers to the method by which the post-amortization costs and the interest incomes of different installments or interest expenses are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When the actual interest rate is determined, the future cash flow shall be predicted on the basis of taking into account all the contractual provisions concerning the financial asset or financial liability (the future credit losses shall not be taken into account). The various fee charges, trading expenses, premiums or reduced values, etc., which are paid or collected by the parties to a

financial asset or financial liability contract and which form a part of the actual interest rate, shall be taken into account in the determination of the actual interest rate.

③Loans and accounts receivable

It refers to the non-derivative financial assets without quotation the animated market, the recovery amount of which is or can be fixed. Loans and accounts receivable of the Company shall include notes receivable, accounts receivable, interest receivable, dividend receivable and other receivables.

Loans and accounts receivable shall be subject to subsequent measurement by amortization cost in accordance with practical interest method, and the profits or losses generated in stopping recognition, depreciation or amortization shall be included in current gains/losses.

④Financial assets available for sale

Financial assets available for sale include non-derivative financial assets that are designated as available-for-sale and the financial assets other than the financial assets measured by fair value with the changes of which be counted in current gains/losses, loan, accounts receivable, investment held to maturity and held for sales financial assets.

The year-end cost of investment made by debt instruments available for sale shall be determined according to its amortized costs, namely the initially recognized amount, minus the repaid principal, plus or minus the accumulated amortization amount formed by making accumulated amortization amount of the difference between the initially recognized amount by actual interest rate method and the amount on maturity date, deducting the amount of the impairment loss incurred. The year-end cost of investment made by equity instrument available for sale shall be regarded as its initially acquisition cost.

Financial assets available for sale are subsequently measured at fair value. Gains or losses arising from changes in fair value (other than impairment losses and foreign exchange gains and losses related with the amortized cost which are recognized in profit or loss for the current period) are recognized as the comprehensive income and included in the capital surplus and recognized in profit or loss for the period when such financial assets are derecognized. However, the derivative financial assets linked with equity instrument without quotation in animated market and the fair value of which can not be reliably measured shall be measure at cost.

Interest obtained from available-for-sale financial assets during the holding period and cash dividends declared by the invested entity are charged into investment income.

(3) Depreciation of financial assets

Except for the financial assets measured by fair value and the changes of which be included in current gains/losses, the Company will check the book value of other financial assets on each financial statement date, and will provide depreciation reserves in case any objective evidence hint any depreciation of financial assets.

The Company will carry out depreciation test independently for single significant financial assets, and for single insignificant financial assets, carry out depreciation test independently or include it in financial assets portfolio with similar credit risk features for depreciation test. In case no depreciation is found in independent test for any financial assets (with or without significant amount), include them in financial assets portfolio with similar credit risk features for depreciation test. Financial assets discovered depreciation loss shall not be included in financial assets portfolio with similar credit risk features for depreciation test.

① Depreciation of held-to-maturity investment, loans and amounts receivable

For financial assets measured by cost or amortized cost, write down the book value to the present value of expected future cash flow, the write-down amount shall be depreciation loss, which shall be included in current gains/losses. In case, upon the recognition of depreciation loss, any objective evidence show that the value of the financial assets has resumed relating to the events incurred upon recognition of the loss, the previously recognized depreciation loss will be carried forward, and the book value upon carry-forward of the depreciation loss will not exceed the amortized cost of the financial assets on the carry-forward date presuming that no such impairment reserves have been provided.

② Impairment of available-for-sale financial assets

When the relevant comprehensive factors prove that the decline in fair value of investment made by available-for-sale equity instrument is a serious or non temporary decline, it indicates the impairment of such investment made by available-for-sale equity instrument.

When an impairment is occurred and impairment loss is recognized, the accumulated loss from the decrease in fair value which is previously charged to other comprehensive income shall be transferred out altogether and charged to impairment loss. The accumulated loss so transferred is equal to the initial acquisition cost of financial asset minus the principal recovered, the amount amortized, the current fair value and the impairment loss previously charged to profit and loss.

If there is an objective evidence indicating that the value of such financial asset has been recovered, and such recovery is objectively related to matters occurring after such loss is recognized, the writing-off impairment loss of equity instrument available for sale is recognized as other comprehensive income and the impairment loss of debt instruments available for sale are charged to profit and loss.

The impairment loss of derivative financial assets linked with equity instrument without quotation in animated market and the fair value of which can not be reliably measured shall not be written off.

(4) Basis for recognition and measurement method of financial assets transfer

Financial assets meeting one of the following conditions shall be terminated recognition: (i) contractual rights generating cash flow of the financial assets have ceased; (ii) the financial assets have been transferred, and the risks and benefits in the financial assets have been almost fully transferred to the receiving party; (iii) the financial assets have been transferred, though the Company has not transferred or retained the risk and benefits in the financial assets almost fully, yet the Company waived the control on the financial assets.

In case the Company has not transferred or retained the risk and benefits in the financial assets almost fully, and has not waived the control on the financial assets, recognize relevant financial assets based on the degree of involvement in the financial assets, and recognize relevant liabilities accordingly. Degree of involvement in the financial assets refers to the risk level confronted by the Company due to the change of the value of the financial assets.

Where recognition termination conditions are met for the overall transfer of financial assets, the difference of the book value of transferred financial assets plus consideration received due to the transfer and the sum of changes of fair value previously included in other comprehensive profits shall be recognized as current gains/losses.

Where recognition termination conditions are met for the partial transfer of financial assets, the book value of the transferred financial assets shall be shared in light of the fair value between the part terminated for recognition and the part not terminated for recognition, and the difference

between the consideration received due to the transfer and the sum of changed of fair value of the amount to be terminated recognition previously included in other comprehensive profits shall be recognized as current gains/losses.

Financial assets sold with right of recourse, or financial assets to be endorsed for transfer, the Company will confirm whether the risk and benefits in the financial assets have been transferred fully. In case the risk and benefits in the financial assets have been transferred fully to the receiving party, terminate the recognition of the financial assets; in case the risk and benefits in the financial assets have been retained fully, the Company will not terminate the recognition of the financial assets; in case the risk and benefits in the financial assets have neither been transferred nor retained, judge whether the Company has retained control on the assets, and then follow the aforesaid principles for accounting treatment.

(5) Categorization and measurement of financial liabilities

At its initial recognition, financial liabilities are divided into the financial liabilities measured by fair value and the changes of which be recognized as current gains/losses, and other financial liabilities. Financial liabilities will be recognized by fair value at its initial recognition. Financial liabilities measured by fair value and the changes of which be recognized as current gains/losses, the trading fees shall be recognized as current gains/losses, and for other financial liabilities, relevant trading fees shall be included in the initial recognition amount.

(i) Financial liabilities measured by fair value and the changes of which be recognized as current gains/losses

Categorization standards for trading financial liabilities and financial liabilities measured by fair value and the changes of which be recognized as current gains/losses are the same as the categorization standards for trading financial assets and financial assets measured by fair value and the changes of which be recognized as current gains/losses.

Financial liabilities measured by fair value and the changes of which be recognized as current gains/losses shall be subject to subsequent measurement by fair value, and the gains or losses formed due to the change of fair value and the expenditure of dividend and interest relating to the financial liabilities shall be recognized as current gains/losses.

(ii) Other financial liabilities

Derivative financial liabilities linked with equity instrument without quotation in animated market and the fair value of which can not be reliably measured, and shall be settled by delivering such equity instrument, shall be subject to subsequent measurement at cost. Other financial liabilities shall be subject to subsequent measurement according to practical interest method at amortized cost, and the gains or losses from terminating recognition or amortization shall be recognized as current gains/losses.

③ Financial guarantee contract and loan commitment

For guarantee contract for financial liabilities not designated to be measured by fair value, or not designated to be measured at fair value and the change of which be included in the current profit and loss and guaranteed with the loan with the interest rate lower than the market interest rate, after initial recognition, carry out the subsequent measurement by the amount determined in line with the Accounting Standards for Business Enterprises No. 13 – Contingencies, or in line with the initial recognition amount deducting the accumulated amortization determined in accordance with Accounting Standards for Business Enterprises No. 14 – Revenue, whichever is higher.

(6) Termination of recognition of financial liabilities

In the event the current obligations of financial liabilities have been fully or partially discharged, terminate the recognition of the financial liabilities fully or partially. In case the Company (debtor) executed agreement with creditor to replace existed financial liability by undertaking new financial liabilities, and the new financial liabilities differ from the existed financial liabilities substantially in terms of contractual terms, terminate the recognition of existed financial liabilities and recognize new financial liabilities.

Where financial liabilities have been fully or partially terminated for recognition, recognize the difference between the book value terminated for recognition and the consideration paid (including non-cash assets transferred or undertaken new financial liabilities) as current gains/losses.

(7) Derivatives and embedded derivatives

Derivatives will be initially recognized by fair value on relevant contract execution date, and shall be subject to subsequent measurement by fair value. Except for the derivative instrument designated as a hedging instrument with high efficiency, whose profit or loss formed by changes in its fair value shall be included in the period of profit and loss according to the nature of hedging relationship and the accounting requirement of accounting, the changes in fair value of other derivative instruments shall be included in the profits and losses of the current period.

For hybrid instrument including embedded derivatives, such as financial assets or financial liabilities not designated to be measured by fair value and the changes of which be included in current gains/losses, the embedded derivatives and the master contract are not closely related in terms of economic features and risk, both share the same conditions, and the separate instruments can be defined as derivatives, separate the embedded derivatives from the hybrid instrument and treat as independent derivatives. In case it's impossible to independently measure the embedded derivatives on acquisition date or on subsequent financial statement date, designate the entirety of the hybrid instrument as financial assets or financial liabilities measured by fair value and the changes of which be included in current gains/losses.

(8) Offset of financial assets and financial liabilities

If the Company is entitled to offset recognized financial assets and financial liabilities, and it may execute the right, the Company plans to settle by net amount or encash the financial assets and discharge the financial liabilities, the financial assets and financial liabilities will be presented in the balance sheet by the amount upon offset. In addition, financial assets and financial liabilities shall be presented separately in the balance sheet, and shall not be offset.

(9) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Company's equity instrument, it shall be treated as the change in equity upon issuance (including refinancing), repurchase, sale or cancellation. The Company will not recognize the change of fair value of the equity instrument. The equity transaction-related transaction expense shall be deducted from the equity.

The Company may reduce shareholder's interests by making distributions to holders of equity instruments (excluding stock dividend). The Company will not recognize the change of fair value of the equity instrument.

10. Amount receivable

Loans and receivables shall include accounts receivable, and other receivables etc.

(1) Recognition standard of bad debt provision

The Company will check the book value of accounts receivable on financial statement date, and shall provide depreciation reserves in case the following objective evidence proves depreciation of accounts receivable: (i) The debtor suffers from serious financial trouble; (ii) The debtor violates contractual clauses (such as default or delay in repaying interest or principal, etc); (iii) The debtor may be wound up or subject to other debt restructuring; (iv) Other objective grounds proving the depreciation of accounts receivable.

(2) Method for providing depreciation reserves

(i) Recognition standard and provision method for bad debt provision of accounts receivable with substantial single amount and shall be provided separately

The amount of amounts receivable that is more than RMB 10 million Yuan are recognized as the significant accounts receivable.

The amount of significant amounts receivable are recognized as the significant accounts receivable. If there is objective evidence indicating that the Company is unable to recover all the amounts according to the original terms of amounts receivable, the Company shall carry out individual test, confirm the impairment losses according to the difference between its future cash flow and its carrying value and deduct the provision for bad debts accordingly.

(ii) Recognition basis and bad debt provision method for accounts receivable to be made the bad debt provision by credit risk portfolio

or the account receivable whose single amount is not significant, the Company shall divide the it and the individual account receivable into several portfolios by the credit risk characteristics, determine the proportion for making provision for bad debts of various portfolios in the current year based on the actual loss rate of the same or similar portfolio of receivables or the portfolio of receivables with the similar credit risk characteristics in the previous years, and calculate the provision for bad debts in the current year according to this proportion.

The Company shall not make provision for bad debts for the receivables with the letters of credit issued by the Company; for prepayments over three years, the bad debt provision shall be made in accordance with the accounts receivable bad debt policy; for the uncertified VAT input tax, export duties margin, import tariff prepayment in other receivables, the provision for bad debts shall not be made.

Determination basis for different portfolio:

Item	Determination basis
For the aging portfolio, the provision for bad debts is made using the aging of accounts:	Aging of accounts receivable
The accounts receivable without impairment that shall accept impairment testing individually	The receivables with the letters of credit issued by the Company; the uncertified VAT input tax, export duties margin, import tariff prepayment in other receivables

Method of Withdrawal of Bad Debt Reserves Based on Combinations

Item	Provision method
For the aging portfolio, the provision for bad debts is made using the aging of accounts:	Aging analysis method

The accounts receivable without impairment that shall accept impairment testing individually	No provision is made
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For the aging portfolio, a provision for bad debts is set up using the aging of accounts:

Account age	Drawing proportion of accounts receivable (%)	Drawing proportion of other receivables (%)
Within 1 year (inclusive)	5%	5%
1-2 years	10%	10%
2-3 years	30%	30%
3-4 years	80%	80%
4-5 years	80%	80%
Over 5 years	90%	90%

③ Accounts receivable with insignificant single amount but shall be made bad debt provision

The Company divides the amounts that are proved to be genuinely unable to be recovered or there is small possibility of being recovered by other conclusive evidences into specific portfolio and make provision for bad debts in full.

(3) Carry-forward of bad debt provisions

In case any objective evidence proves that the value of accounts receivable has been resumed and related to the event occurred upon the loss recognition, the previously recognized depreciation loss will be carried forward and included in current gains/losses. However, book value carried forward shall not exceed the amortized cost of the accounts receivable on the carry-forward date had the bad debt provision not been made.

11. Inventories

(1) Categorization of inventory

The Company's inventory includes raw materials, auxiliary materials, spare parts, consumables, processing materials, in-transit materials, work in progress, semi-finished goods and finished goods.

(2) Valuation of inventories delivered

Value the price as per the weighted average method when the inventory is delivered.

(3) Determination basis of net realizable value of inventories and accrual method of reserve for price falling of inventories

For finished products, goods and materials used for sale and other commodity inventory for direct sale, determine their net realizable value with the amount estimated selling price of the inventory less estimated selling expenses and related taxes and fees during normal course of production and operation.

For materials inventory need to be processed, determine their net realizable value with the amount the estimated selling price of finished products produced less estimated costs, selling expenses and related taxes and fees when completion during normal course of production and operation.

For the inventory held for the implementation of the sales or service contracts, its net realizable value is calculated on the basis of the contract price, if the quantity of inventory held is greater than the order quantity under sales contracts, the net realizable value of excess inventory is generally calculated based on selling prices; for inventory not under sales contracts (not including

materials for sale), its net realizable value is calculated based on the general selling price (market price); and for the materials for sale, usually at market prices.

On the balance sheet date, this Company shall conduct overall verification to the inventories, and shall accrue or adjust the reserve for price falling of inventories according to the cost and net realizable value of inventories whichever is lower. The falling price reserves of inventory of goods and bulk raw materials are made on the basis of individual inventory items; the provision for inventory falling price reserves is made by class for inventories with large quantity and low unit price. When the previous influential factors of writing down the inventory value have already disappeared, the amount written down shall be recovered, and shall reverse from the amount of inventory price falling reserve already accrued, and the reversed amount shall be charged into the current income and loss.

(4) Inventory system

Inventory system shall be continuous inventory.

(5) Amortization method of low value consumables and packaging materials

Application for low-value consumption goods adopts one-off amortization method.

Application for packaging goods adopts one-off amortization method.

12. Assets classified as held-for-sale assets

In case the Company has made a resolution regarding the disposal of certain non-liquid assets, and has executed irrevocable transfer agreement with assignee, and the transfer may be completed within one year, the non-liquid assets will be calculated as held for sales non-liquid assets, and will not be subject to depreciation or amortization, which will be measured by the book value and the net value of fair value deducting disposition fees, whichever is lower. Held for sale non-liquid assets shall include single assets and disposition group. In case the disposition group refers to a group of assets, and according to the Accounting Standards for Business Enterprises No. 8 – Assets Depreciation, goodwill acquired from corporate merger will be amortized in the asset group, or the disposition group was one business of the asset group, the disposition group shall include the goodwill in the business combination.

The assets and liabilities in the held-for-sale non-current assets and disposal group shall be separately presented under the current assets in the Balance Sheet; the liabilities related with the transfer of assets classified in the held-for-sale a disposal group shall be independently presented under the current liabilities in the Balance Sheet.

In case any asset or disposition group is determined to be held for sale, and later fails to meet the recognition conditions of non-liquid assets held for sale, the Company will stop to recognize it as held for sale, but will measure by the following amount, whichever is lower: (1) The assets or the disposition group is categorized into the book value before holding for sales, then based on the amount previously recognized as depreciation, amortization or deprecation had it not been categorized as holding for sales; (2) Recoverable amount on the date determined not for sales.

13. Long-term equity investment

The long-term equity investment in this Part refers to the long-term equity investment that has control, joint control or significant influence on the investee. The Company shall regard the long-term equity investment on which the Company has no control, joint control or significant influence as financial assets available for sale, and shall include it in the profit and loss of current period. See detailed accounting policies in Annotation IV, 9 “Financial instruments”.

Joint control means common control specified in accordance with relevant stipulations over

an arrangement, and the activities related to the arrangement is subject to decisions made by consensus of participants sharing the control. Significant influence is the authority sufficient to participation in decision-making for financial and operating policies of an enterprise's, but not to control or jointly control with other parties those policies.

(1) Determination of investment cost

For long-term equity investment obtained through business combination under the same control, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. Where equity of the combined party under the same control are acquired through multiple transactions and the acquisition ultimately leads to business combination, it is necessary to determine whether the multiple transactions are a "package deal" and to handle them on a case-by-case basis respectively: In case of a package deal, the Company shall account for the transactions as a transaction contemplated to gain control. In case of anything but a "package deal", it shall, on the date of combination, regard the share of the book value of the owner's equity of the combined party as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

For long-term equity investment acquired from business combinations involving enterprises not under common control, the combination costs on the acquisition date shall be regarded as the initial investment cost of long-term equity investments; the cost of business combination is the sum of the acquirer's assets paid, the liabilities incurred or assumed and the fair value of the equity securities issued. Where equity of the combined party under the same control are acquired through multiple transactions and the acquisition ultimately leads to business combination, it is necessary to determine whether the multiple transactions are a "package deal" and to handle them on a case-by-case basis respectively: In case of a package deal, the Company shall account for the transactions as a transaction contemplated to gain control. In case of anything but a "package deal", the sum of the book value of the equity investment previously held and the costs of new investments shall be considered as the initial investment cost in the accounting switched to cost method. For the originally held equity accounted by equity method, no accounting treatment shall be carried out for related other comprehensive income temporarily. Where an equity investment previously held is classified as available-for-sale financial assets, the difference between its fair value and its book value, and the cumulative change in fair value previously included into other comprehensive income shall be carried into current profit or loss after the switch to the equity method.

The combined party or acquirer's expenses for auditing, legal services, assessment and consultation and other intermediary fees, as well as other administrative expenses related to the business combination shall be included in the current profit and loss.

Other equity investment other than the long-term equity investment acquired in a business combination shall be initially measured based on the cost. The cost shall be determined on the basis of the Company's cash purchase price actually paid, the fair value of the equity securities

issued, the value agreed in the investment contract or agreement, the fair value of swap assets in the non-monetary assets exchange swap transactions, the fair value of the long-term equity investment and other methods depending on the different ways by which the long-term equity investment is acquired. The expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment shall also be included in the investment cost. Where due to additional investment and other reasons, the investing enterprise can exert significant influence or joint control, which, however, does not constitutes control, the sum of the fair value of the equity investment previously held determined in accordance with *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments* plus the costs of new investments shall be recognized as the initial investment costs.

(2) The follow-up measurement and the recognition of profit or loss

The long-term equity investments upon which the Company has common control (except for those form joint ventures) upon or significant influence shall be accounted for using the equity method. In addition, the Company's financial statements adopt the long-term equity investment that the cost method can implement control on the invested entity.

① Long-term equity investments accounted for under the cost method

When the cost method is adopted, the long-term equity investment shall be priced at initial investment cost. At the time of addition or recovery of investment, the cost of long-term equity investment shall be adjusted. Except for the cash dividend or profit declared but not yet paid included in the price or consideration actually paid at the time of acquisition of investments, the cash dividends or profits declared and paid from investees are recognized at current investment income.

② Long-term equity investments accounted for under the equity method

If the Initial investment cost of long-term equity investment is greater than the attributable fair value percentage of identifiable net assets of investee, the initial investment cost of long-term equity investment shall not be adjusted; otherwise, the difference between the initial investment cost and attributable fair value percentage of identifiable net assets of investee shall be included in the current profit or loss and the cost of long-term equity investment adjusted.

When the equity method is used, investment gains and other comprehensive income are recognized according to the attributable share of the net profit or loss and other comprehensive income realized by the investees, and the carrying value of long-term equity investments shall be adjusted; the investing enterprise should reduce the book value of the investment by its attributable share of the invested enterprise's profit or cash dividend declared to be distributed; for changes in owner's equity rather than net profit or loss, other comprehensive income and profit distribution of an investee, the book value of long-term equity investments shall be adjusted and included into the owner's equity. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies and accounting periods adopted by the invested entity are different from those adopted by the Company, an adjustment shall be made to the financial statements of the Company in accordance with the accounting policies and accounting periods of the investing enterprise and recognize the investment income and other comprehensive income, etc. For the internal transactions between the Company and an associate or joint venture, in case the assets invested or sold do not constitutes business, as for the unrealized profit or loss

from internal transactions between the Company and an associate or joint venture, the part attributable to the Company calculated by the ratio of share held, are offset. However, the unrealized profit or loss from internal transactions between the Company and an investee, if belonging to the impairment losses of transferred assets, are not offset. In case the assets invested or sold do not constitute business, for long-term equity investment acquired without control right, the fair value of investment business shall be regarded as the initial investment cost of newly added long-term equity investment; the difference between the investment cost and the book value of investment business shall be included in the current profit and loss in full. For business formed by the Company's sales of assets to the joint venture enterprise or associated enterprise, the difference between consideration obtained and the book value of business shall be included in the current profit and loss in full. In case the assets acquired by the Company from associated enterprise or joint venture enterprise, the accounting treatment shall be made in accordance with provisions in *Accounting Standards for Business Enterprises No. 20 - Business Combination*, and related profit or loss shall be recognized in full.

For the recognition of the net losses incurred by the investee, the carrying value of long-term equity investment and other long-term interests essentially constituting net investment into the investee are written down to zero at most. In addition, if the Company has to assume additional obligations against invested entity, the estimated liabilities shall be recognized in accordance with the expected obligation and be charged to the current investment losses. For the profits realized by the invested entity during the subsequent periods, the Company, after the unrecognized shared loss is compensated by its sharable income, recovers the recognized share of proceeds.

③ Acquisition of minority interest

When preparing the consolidated financial statements, the capital surplus shall be adjusted on the basis of the difference between the long-term equity investments newly increased by acquiring minority interest and the net assets of the subsidiaries enjoyed that are constantly calculated since the acquisition date (or merger date) according to the newly increased shareholding ratio; if the capital surplus is insufficient for write-down, retained earnings are adjusted.

④ Disposing of a long-term equity investment

In the consolidated financial statements, if the parent company partially disposes the long-term equity investments in subsidiaries without loss of control, the difference between disposal proceeds and net assets of subsidiaries enjoyed corresponding to the disposal of long-term equity investment shall be included in the shareholders' equity; in case the parent company's partial disposal of the long-term equity investments in subsidiaries has resulted in the loss of control on the subsidiaries, it shall be treated according to tolerated accounting policies stated in Annotation IV, 5 (2) "Preparation method of consolidated financial statement".

For the disposal of long-term equity investments under other circumstances, the difference between the book value and the actual acquired price of the disposed equity shall be included in the current profit and loss.

As for long-term equity investment accounted by equity method, if the remaining equity after disposal is still accounted by equity method, when making disposal, the part of other comprehensive income originally included in shareholders' equity shall be adopted according to corresponding proportion and treated on the same basis of the direct disposal of related assets and liabilities adopted by the investee. Other changes in the owners' equity in the investor's net assets other than the net profit or loss, other comprehensive income and the distribution of profits

recognized using the equity method, shall be carried into current profit and loss according to the proportion.

As for long-term equity investment accounted by cost method, if the remaining equity after disposal is still accounted by cost method, other comprehensive income recognized by making accounting according to the equity method or making recognition and measurement of financial instruments before obtaining the control on investee shall be accounted for on the same basis on which the investee directly disposes of an asset or liability at the time of disuse of the equity method of accounting and will be carried into current profit and loss according to the proportion. For the net assets of the investee recognized by adopting equity method for making accounting, the changes in other shareholders' equity except for net profit and loss, other comprehensive income and profit distribution shall be carried into current profit and loss according to the proportion.

Where control over an investee is lost due to the disposal of part of equity investment, if the equity remaining from the disposal enables the investor to exercise joint control or significant influence over an investee, when preparing individual financial statement, the remaining equity method shall be accounted for by the equity method and adjusted as if they are accounted for using the equity method since they were acquired in the first place, where the equity remaining from the disposal does not enable the investor to exercise joint control or significant influence over the investee; the remaining equity shall be accounted for in accordance with the relevant provisions about the recognition and measurement principles of financial instruments , and the difference between the fair value and book value on the date of lose of control of is included into current profit and loss. Other comprehensive income recognized by making accounting according to the equity method or making recognition and measurement of financial instruments before obtaining the control on investee shall be accounted for on the same basis on which the investee directly disposes of an asset or liability at the time of disuse of the equity method of accounting and will be carried into current profit and loss according to the proportion. For the net assets of the investee recognized by adopting equity method for making accounting, the changes in other shareholders' equity except for net profit and loss, other comprehensive income and profit distribution shall be carried into current profit and loss according to the proportion upon loss of control on the investee. Among them, if the equity method is adopted for the accounting of remaining equity after disposal, other comprehensive income and other owners' rights and interests shall be carried forward in proportion; in case the remaining equity after disposal is recognized by financial instrument and treated by measurement principle, other comprehensive income and other owners' rights and interests shall be fully carried forward.

Where joint control or significant influence over an investee is lost due to the disposal of part of equity investment, the remaining equity after disposal shall be accounted according to the principles for the recognition and measurement of financial instruments; and the difference between the fair value and book value on the date of lose of control of is included into current profit and loss. Other comprehensive income recognized using the equity method for original equity investments , shall be accounted for on the same basis on which the investee directly disposes of an asset or liability at the time of disuse of the equity method of accounting; other changes in owner's equity related to original equity investment shall be carried into current profit and loss. Other changes in the owners' equity in the investor's net assets other than the net profit or loss, other comprehensive income and the distribution of profits recognized using the equity

method, will be included in the current investment income when the adoption of equity method is terminated.

In the event of multiple transactions disposing equity investment of the subsidiary until control loss, where the transactions in relation with the disposal of equity investments in subsidiaries until loss of control are a package deal, every transaction shall be accounted for as a transaction of the disposal of a subsidiary until the loss of control; yet the before the loss of control, the difference between the price of disposal and book value of long-term equity investment corresponding to the disposed investment shall be recognized as other comprehensive income, and altogether carried into the current profits and losses from the loss of control at the time of loss of control.

14. Fixed assets

(1) The conditions for recognition of fixed assets

Fixed assets refer to tangible assets which are held for the production of goods, provision of labor services, rental or business management and serve more than one fiscal year. Fixed assets are recognized when the following conditions are met:

- ①The economic benefits associated with the fixed assets is likely to flow into the Company;
- ②The cost of the fixed assets can be reliably measured.

(2) Depreciation method of various fixed assets

The provision for depreciation of fixed assets is made using the straight-line method by classification. The provision for the fixed assets is made since the intended usable condition and terminated at the end of recognition or upon the classification into held-for-sale non-current assets [except fixed assets for which provision for depreciation is fully made and which are still in use and land separately priced accounted for]. Regardless the impairment of fixed assets, the Company determines the annual depreciation rate of fixed assets by category, the expected useful life and expected residual value as follows:

Category	Depreciation period (year)	Residual rate (%)	Annual depreciation rate (%)
Houses and buildings	30-40	3-5	2.38—3.23
Machinery and equipments	15-20	3-5	4.75-6.47
Transportation equipments	6-8	3-5	11.88-16.17
Electronic equipments	4-5	3-5	19.00-24.25

(3) Test method for impairment of fixed assets, and method for making provision for impairment

See the method for making provision for impairment of fixed assets in Annotation IV, 19 “Impairment of long-term assets”.

(4) Identification basis for and valuation method of fixed assets rented by financing

On the lease beginning date, take the lower between the fair value of a leasing asset and the present value of the minimum lease payments as the entry value of the leasing asset.

Regarding the fixed asset acquired under finance leases, which can be reasonably determined to acquire the leased assets ownership when the lease period expires, our company shall withdraw the depreciation within the remained useful life of leased assets; regarding the fixed asset acquired under finance leases, which can not be reasonably determined to acquire the leased assets ownership when the lease period expires, our company shall withdraw the depreciation within the shorter period between the lease period and the remained useful life of leased assets.

(5) Other descriptions

①At the end of each year, our company reviews the useful life, expected salvage value and depreciation method of fixed assets. If there is any difference between the expected useful life and the previously estimated useful life of a fixed asset, the expected useful life of the fixed asset shall be adjusted; if there is any difference between the expected amount of net residual value and the previously estimated amount, the net residual value shall be adjusted.

②Repair cost incurred on fixed assets, when the condition for recognition of fixed asset is met, should be charged to the cost of fixed asset, and when such condition is not met, it should be charged directly to current cost and expense at the time of incurrence.

③Renovation cost for fixed asset which meets the condition for capitalization: depreciation is separately recorded by the composite life method within the period between two renovations or the remaining useful life of fixed asset, whichever is shorter.

15. Construction in Progress

(1) Accounting method for work in progress

The constructions in progress of this Company shall be measured according to actual cost and shall be accounted according to categories of the projects initialized.

(2) Time Point for Constructions in Progress Carrying Forward into Fixed Assets

When a work in progress reaches the intended serviceable condition, it will be subject to fixed asset accounting according to the total expenditures actually incurred. If a work in progress has reached the intended serviceable condition while final accounting has not been made, it should be converted into fixed asset according to its estimated value based on project budget, building cost or actual cost since the date when it meets the serviceable condition. Fixed asset depreciation is recorded according to the company's depreciation policy. After completing final accounting, the previously estimated value should be adjusted based on actual cost, but the previously recorded depreciation amount will not be adjusted.

(3) Provision for impairment of work in progress

See the method for making provision for impairment of Construction in progress in Annotation IV, 19 "Impairment of long-term assets".

16. Borrowing costs

(1)The principle for recognizing capitalization of borrowing costs

The assets eligible for capitalization refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale. The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings

For the borrowing costs which incurred to our company and can be directly attributed to the assets acquisition and construction or production eligible for capitalization conditions, when the following conditions are simultaneously met, they shall be capitalized and then recorded into the relevant asset costs; other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the profits and losses of current period.

The borrowing costs start the capitalization when the following conditions are met simultaneously:

①The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production

activities for preparing assets eligible for capitalization;

② The borrowing expenses have happened;

③ The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Period of borrowing costs capitalization

The borrowing costs incurred for constructing or producing assets meeting the condition for capitalization, which are incurred before the asset reaches the intended serviceable or salable condition should be charged to the cost of asset; and those which incurred thereafter should be charged to current profit and loss.

When the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. When part project of assets the qualified asset under acquisition and construction or production is respectively completed and is ready for the intended use separately, the capitalization of the borrowing costs of this part asset shall be ceased.

(3) Determination method of Amount of Borrowing Costs Capitalization

The company calculates the amount of the borrowing costs to be capitalized on a monthly basis.

Interest costs of special borrowing (deduct the interest income made by the unspent borrowing fund deposited in bank, or the investment income made through temporary investment) and its ancillary costs are capitalized before the assets to be acquired or constructed or produced which comply with conditions of capitalization reach the usable or marketable state.

The amount of interest to be capitalized on general borrowing is determined by the weighted average for the part of total asset expenditure exceeding the amount of special borrowing multiplied by the capitalization rate for general borrowing occupied. The capitalization rate is determined according to the weighted average interest rate of general borrowing.

When a discount or premium exists on such borrowing, the amount of discount or premium amortizable for each accounting period should be determined, and the interest amount for each period should be adjusted according to the effective interest rate method.

During capitalization period, the exchange difference for the principal and interest of special borrowing in foreign currency should be capitalized, and charged to the cost of assets meeting the condition for capitalization.

17. Intangible assets

(1) Intangible assets

Intangible assets refer to identifiable non-monetary assets without tangible status, owned or controlled by the Company.

Intangible assets will be initially measured by cost. Expenditures relating to the intangible assets, if relevant economic benefits may flow into the Company and the cost can be reliably measured, include the same in the cost of intangible assets, and other expenditures shall be included in current gains/losses at occurrence.

Land use right acquired shall normally be calculated as intangible assets. For self-run development and building of plants and other buildings, relevant expenditure on land use right and building cost shall be calculated as intangible assets and fixed assets respectively. In case of outsourced houses and buildings, divide relevant price in land use right and buildings, if it can not be reasonably divided, treat the same as fixed assets fully.

Intangible assets with limited service life shall be amortized on average during the expected service life based on straight-line method, as of the date the assets are available for use. Intangible assets with uncertain service life will not be amortized.

At the year end, review the service life and amortization method of intangible assets with limited service life. In case of any changes, take it as changes of accounting estimates. In addition, review the service life of intangible assets with uncertain service life. If evidence shows that the intangible assets will bring foreseeable period of economic benefits for the enterprise, estimate the service life and amortize the assets based on the policy applicable for intangible assets with limited service life.

(2) Development and research expenditures

Internal research and development expenditure in the Company will be divided into expenditures at the research stage and at the development stage.

Expenditure at the research stage will be included in the current gains/losses at occurrence.

Expenditure at the development stage meeting the following conditions fully shall be recognized as intangible assets; expenditure at the development stage failing to meet the following conditions fully shall be recognized as current gains/losses:

- ① It is technically feasible to accomplish the intangible assets to make it usable or saleable;
- ② It is intended to accomplish the intangible assets to make it usable or saleable;
- ③ The economic benefits generation mode of the intangible assets, including the possibility of proving that products incorporating the intangible assets can be marketable or the intangible assets are marketable, in case the intangible assets are used internally, prove that they're useful;
- ④ There are sufficient technical, financial resources and other resources support to fulfill the development of the intangible assets, and be able to use or sell the intangible assets;
- ⑤ Expenditures attributable to the development stage of the intangible assets can be reliably measured.

In case the expenditure at the research stage and at the development stage can not be distinguished, research and development expenditure incurred shall be included in current gains/losses.

(3) Depreciation test method and depreciation provision method of intangible assets

See the method for determining and making provision for impairment of intangible assets in Annotation IV, 19 "Impairment of long-term assets".

18. Long-term prepaid expenses

Long-term deferred and prepaid expenses are various costs which have been incurred by the company but will be amortized over a period of more than one year and shared between the current and subsequent periods. These expenses are amortized on average over the benefit period, particularly:

(1) The rent prepaid for fixed assets acquired under operating lease should be amortized on average basis over the period specified by relevant lease contract.

(2) The expenditure on improvement of fixed asset acquired under operating lease should be amortized on average basis over the remaining lease term or the remaining useful life of leased asset, whichever is shorter.

(3) The renovation cost for a fixed asset acquired under finance lease, which meets the condition for capitalization, should be amortized on average basis over the period between two renovations, the remaining lease term and the remaining useful life of fixed asset, whichever is

shorter.

The entire amortized value of long-term deferred and prepaid expenses which could not benefit subsequent accounting periods will be charged to current profit and loss.

19. Impairment of long-term assets

For the fixed assets, construction in progress, intangible assets with limited service life, investment real estate measured at cost and non-financial non-liquid assets such as the long-term equity investment and goodwill of the subsidiaries, joint ventures and associated enterprises, the Company will judge the hint of depreciation on balance sheet date. In case of any such hint, the Company will estimate the recoverable amount and carry out depreciation test. Goodwill, intangible assets with uncertain service life and intangible assets before reaching available for use status will be subject to depreciation test every year, regardless of hint of depreciation or not.

In case the depreciation test shows that the recoverable amount is lower than the book value, make depreciation provision based on the difference and include the same in depreciation loss. Recoverable amount shall be the fair value of the asset deducting disposition fee, and the present value of the expected future cash flow of the asset, whichever is higher. Fair value of the asset shall be determined based on the price in the sales agreement of the asset in fair transaction. Where there is no sales agreement but there is animated market, fair value shall be determined by the buyer's quotation regarding the assets. Where there is no such sales agreement and animated market, estimate the fair value of the asset based on the optimal information available. Disposition fees shall include legal fees, relevant taxes and levies, movement fees relating to the disposal of the assets, and direct fees incurred to make the assets available for sales. Present value of the expected future cash flow of the asset shall discounted amount based on proper discount ratio in accordance with the expected future cash flow generated in continuous use and in final disposal. Depreciation reserves of the asset shall be calculated and recognized based on single item of asset. In case the recoverable amount of single asset can not be estimated, determine the recoverable amount of the asset group in which the asset is included. Asset group refers to the minimum asset combination generating cash inflow.

For the goodwill separately presented in the financial statements, when carrying out impairment testing, the carrying value of goodwill shall be allocated to the asset group or portfolio of asset groups that are benefited from the synergies of the business combination. The treating result shows that if the recoverable amount of related asset group or portfolio of asset groups containing the goodwill allocated is less than its carrying value, the impairment loss of goodwill shall be recognized. The amount of impairment loss shall be firstly used to offset the carrying value of the goodwill of such asset group or portfolio of asset groups; and then used to offset the carrying value of various assets in accordance with the proportion accounted by the carrying value of various other assets other than good will of the asset group or portfolio of asset groups.

Once recognized, the aforesaid depreciation loss of the asset shall not be carried forward for the value recovered.

20. Employee remuneration

The Company's employee remuneration mainly includes short-term remuneration, post-employment benefits, termination benefits and other long-term benefits, among them:

Short-term remuneration mainly includes the wages, bonuses, allowances, subsidies, welfare, social insurance, and housing provident fund, union funds and employee education funds and other expenditures associated with the services provided by employees. The Company will, during

the accounting period when the employees provide services, recognize the employee benefits payable as liabilities and increase the costs of the asset or current expenses accordingly. Among them, the non-monetary welfare of employees shall be measured at the fair value.

The post-employment benefit mainly includes the defined benefit plan, which mainly includes basic pension insurance and unemployment insurance, etc. The corresponding amount to be paid shall be included in the cost of related assets or current profit and loss upon occurrence.

The Company shall pay overall costs to retired workers. In accordance with the relevant provisions, the costs shall be presented under "employee welfare benefit expenses" upon actual occurrence and included in the employee benefits payable and the profits and losses of the current period.

If an enterprise cancels the labor relationship with any employee prior to the expiration of the relevant labor contract or brings forward any compensation proposal for the purpose of encouraging the employee to accept a layoff, where the Company is unable to unilaterally withdraw the termination benefits provided under an employment relationship termination plan or layoff proposal, when Company recognizes costs or expenses relating to the restructuring which involves the payment of termination benefits, whichever is earlier, the Company shall recognize the compensation payable to staff as estimated liabilities, and include in current gains/losses. However, if the termination benefit is not expected to be fully paid within 12 months after the recognized annual reporting period is ended, the related provisions concerning other long-term employee warfare are applicable.

For internal retirement plan, adopt the above principles. The Company will consider the staff and social security fees during the period staff stops rendering service to the expected retirement date, and include the same into current gains/losses when meeting recognition conditions for estimated liabilities.

If other long-term employee benefits provide to the employees by the Company are in line with the conditions of defined contribution plan, the accounting treatment shall be made according to the defined contribution plan. In addition, the accounting treatment shall be made according to the defined income plan.

21. Estimated liabilities

Obligations relating to contingent events shall be recognized as estimated liabilities when meeting the following conditions fully: (1) The obligations are prevailing of the Company; (2) Performance of the obligations may cause economic benefits flowing out; (3) The amount of the obligations can be reliably measured.

On balance sheet date, consider risk relating to contingent event, uncertainty and time value of currency etc, measure the estimated liabilities by the optimal estimated amount for performing the prevailing obligations.

In case expenditures for repaying estimated liabilities will be fully or partially reimbursed by third party, if the reimbursed amount can be basically confirmed to be received, recognize separately as assets, and the recognized reimbursed amount shall not exceed the book value of the estimated liabilities.

22. Revenue

(1) Sale of goods

In case the major risk and benefits of the goods have been transferred to the buyer, and the continuous management right generally relating to ownership has not been retained, and no

effective control is imposed upon the sold goods, amount received can be reliably measured, relevant economic benefits will flow into the Company, relevant cost incurred or to be incurred will be measured reliably, recognize the realization of sales revenue.

The Company manufactures steel and sells it to customers around: The specific recognition timing point of domestic sale is when the products are delivered to customers according to the agreed delivery mode; no management and control shall be continuously implemented on such products and the realization of sales income is recognized when other income recognition conditions are met. The specific recognition timing point of overseas sale is when the products have been shipped or the bill of loading has been submitted to the buyer; no management and control shall be continuously implemented on such products and the realization of sales income is recognized when other income recognition conditions are met.

(2) Rendering of Services

Revenue from the provision of service should be recognized on the percentage of completion basis if the result of provision of service could be reliably estimated on the balance sheet date. The total revenue from provision of service is determined by the contract or agreement price which is received or receivable from the service accepting party, except that such contract or agreement price is unfair.

The schedule of completion shall be determined by the following methods: A. the measurement of the completed work; B. the proportion of the labor services provided to the total amount of labor services that shall be provided; C. the proportion of the costs incurred to total estimated costs.

If the transaction result of rendering of service cannot be reliably estimated on the balance sheet date, it shall be treated as follows:

①When it is expected that the cost of service could be recovered, the revenue from service should be recognized according to the amount of cost actually incurred, and the same amount is charged to the cost of service.

②When it is expected that the cost of service incurred could not be recovered, the cost of service actually incurred will be charged to current profit and loss, and no revenue from service will be recognized.

(3) Construction contracts

In case the results of construction contract can be estimated reliably, recognize the contractual income and expenses in proportion to the completion percent on balance sheet date. Completion percent shall be determined according to the actually incurred contractual cost out of the estimated total cost of the contract.

The construction contract completion schedule is determined by the proportion (the proportion of completed contract work to the total expected work in the Contract) of aggregate actual costs incurred to the total cost expected of the contract.

The results of construction contract can be estimated reliably refers to the full satisfaction of the following conditions: (1) Total contract income can be measured reliably; (2) Economic benefits relating to the contract may possibly flow into the Company; (3) actually incurred contract cost can be clearly distinguished and reliably measured; (4) Completion degree of the contract and cost to be incurred for completing the contract can be reliably determined.

If the result of a construction contract cannot be estimated reliably, but the contract cost is predicated to retrieve, the contract income shall be recognized according to the actual contract cost

that can be retrieved, and the contract cost shall be recognized as the contract expenses at the period of its occurrence; if the contract cost is predicated to be unable to retrieve, it shall be recognized as contract expenses immediately at its occurrence, and the contract income will not be recognized. In the event the uncertain factors causing the results of construction contract impossible to be reliably estimated, determine the income and expenses relating to the construction contract based on the completion degree. In case estimated total cost of the contract is higher than the total income from the contract, recognize estimated loss as current expenses. If the accumulated costs incurred and the cumulative gross profit (loss) recognized can offset the settled amount in the balance sheet, the net amount after being offset shall be presented; if the sum of the accumulated costs incurred and the cumulative gross profit (loss) recognized is more than the settled amount, the excess shall be presented as inventory; and if the settled price of construction contract exceeds the sum of the accumulated costs incurred and the cumulative gross profit (loss) recognized, the excess shall be presented as item received in advance.

(4) Income from use fee

Recognize the income on an accrual basis based on relevant contract or agreement.

(5) Interest income

Determine the income by the time and actual interest rate of the currency funds used by others.

23. Government Subsidy

Government subsidies refer to monetary assets and non-monetary assets acquired by the Company from government free of charge, which shall not include funds invested by government as owner. Government subsidies include those relating to assets and to benefits.

The Company defines the government subsidies received for acquiring or otherwise forming into long term assets as government subsidies relating to assets, and define other government subsidies as those relating to benefits. In case government file fails to clearly determine the subject of subsidy, adopt the following manner to define subsidized amount as government subsidies relating to the benefits and to the assets: (1) In case government file defines clearly the specific purpose of subsidy, divide the expenditures forming into assets and included in expenses accordingly based on the specific purpose, and review the division on each balance sheet date, make changes when necessary; (2) In case government file only generally describes the purpose of the subsidy and fails to indicate specific purpose, define the subsidy as government subsidy relating to benefits.

In case government subsidy is monetary assets, measure by the amount received or receivable. In case the government subsidy is non-monetary assets, measure by the fair value. If the fair value could not be reliably acquired, measure by the nominal value. Government subsidy measured by the nominal value will be directly included in current gains/losses.

Generally, the Company recognizes and measures by the practically received amount of government subsidy. However, for financial support funds estimated to be received at the year end based on certain evidence, measure by the amount receivable. Government subsidy measured by the amount receivable shall meet the following conditions fully: (1) The amount of subsidy receivable has been confirmed by relevant authority in files, or can be reasonably estimated according to relevant financial funds administration rules officially issued, and the amount is estimated to be free from substantial uncertainty; (2) It is based on the administration rules on financial support programs and financial funds officially released by local finance authority and

shall be actively disclosed according to the Regulations on Government Information Disclosure, and the administration rules shall be generally preferential (any enterprise meeting required conditions may apply), not specifically for certain enterprise; (3) Relevant approval file on the subsidy has defined the allocation period of the subsidy, and the allocation is guaranteed by financial budget, so it's reasonably guaranteed that the subsidy can be received within required time limit; (4) Other relevant conditions (if any) to be satisfied according to the situation of the Company and the subsidized items. Government subsidies relating to assets will be recognized as deferred benefits, and shall be included in current gains/losses on average within the service life of the relevant assets. In case government subsidies relating to benefits shall be used to reimburse relevant expenses and losses in future period, recognize as deferred benefits, and include in current gains/losses in the period of recognizing relevant expenses; if used for reimbursing relevant expenses and losses already incurred, directly include in current gains/losses.

In case the government subsidies recognized shall be returned, if there is any balance from the deferred benefits, offset the balance of the book value of relevant deferred benefits, and count the surplus as current gains/losses; if there is no relevant deferred benefits, directly include it in the current gains/losses.

24. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Current income tax

On the balance sheet date, current income tax liabilities (or assets) formed in the current and former period shall be measured by the income tax amount expected to be payable (or refunded) calculated according to taxation laws. Taxable amount based on which the current income tax expenses are calculated was calculated upon making relevant adjustment to before-tax accounting profits according to relevant taxation laws.

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

Difference of the book value of some assets and liabilities with the taxation base, and the temporary difference derived from the difference of the book value and taxation base of items not recognized as assets and liabilities but the taxation base of which can be determined according to taxation laws, recognize the deferred income tax assets and deferred income tax liabilities based on the balance sheet indebtedness method.

For taxable temporary difference relating to the initial recognition of goodwill, and relating to the initial recognition of assets or liabilities not generated from corporate merger or which could not affect the accounting profits or taxable income (or deductible loss), it will not be recognized the relevant deferred income tax liabilities. In addition, for taxable temporary difference relating to investment in subsidiary, affiliate companies and joint venture, if the Company would control the time of carrying forward such temporary difference, and the temporary difference may not be carried forward within foreseeable future, it will not recognize relevant deferred income tax liabilities. Except for the above conditions, the Company recognizes the deferred income tax liabilities generated from other taxable temporary difference.

For taxable temporary difference relating to the initial recognition of assets or liabilities not generated from corporate merger or which could not affect the accounting profits or taxable income (or deductible loss), it will not be recognized the relevant deferred income tax assets. In addition, for taxable temporary difference relating to investment in subsidiary, affiliate companies and joint venture, if the Company would control the time of carrying forward such temporary difference, and the temporary difference may not be carried forward within foreseeable future, it

will not recognize relevant deferred income tax assets. Except for the above conditions, the Company recognizes the deferred income tax assets generated from other taxable temporary difference.

For deductible loss and tax reduction to be carried forward to future years, and for future taxable income to be acquired to offset loss and tax reduction, recognize relevant deferred income tax assets.

On the balance sheet date, for deferred income tax assets and deferred tax liabilities, measure based on the appropriate tax rate of the period in which relevant assets will be recovered or relevant liabilities will be repaid according to taxation laws.

On the balance sheet date, review the book value of the deferred income tax assets, if it is possible that no sufficient taxation income would be obtained to offset the benefits of the deferred income tax assets, reduce the book value of the deferred income tax assets; if it's possible to acquire sufficient taxable income, carry forward the book value reduced.

(3) Income tax expenses

Income tax expenses include current income tax and deferred income tax.

Except for current income tax and deferred income tax relating to the transaction and events to be recognized as other comprehensive benefits or directly included in shareholders' equities, and the book value of goodwill based on the deferred income tax adjustment arising from corporate merger, other current income tax and deferred income tax expenses or benefits will be included in current gains/losses.

(4) Offset of income tax

In case of the statutory right of settlement by net value, and it's intended to settle or acquire assets, repay liabilities by net value, the Company will present by the current income tax assets, current liabilities or by the net value.

In case of statutory right to settle the current income tax assets and liabilities by net value, and the deferred income tax assets and liabilities are related to the same income tax imposed by the same taxation authority upon the same taxpayer, or related to the different taxpayer but during the carry forward period of each important deferred income assets and liabilities, the taxpayers involved will be intending to settle the current income tax assets and liabilities by net value or acquire assets and repay liabilities at the same time, the Company will present the deferred income tax assets and liabilities by the net value upon offset.

25. Leasing

Finance lease refers to the lease the risk and benefits relating to the leased assets have been fully transferred, but the ownership of the assets may or may not be transferred. Other leasing except for finance lease shall be operation lease.

(1) Recording the operation lease business, in which the Company is lessee

Rental expense for the operation lease will be included in relevant assets cost or current gains/losses by straight-line method during each period of leasing, while initial direct expenses will be included in current gains/losses, or will be included in current gains/losses when rental has occurred actually.

(2) Recording the operation lease business, in which the Company is lessor

Rental income for the operation lease will be recognized as current gains/losses by straight-line method during each period of leasing, while substantial initial direct expenses will be capitalized at occurrence, and will be included in current gains/losses by stages on the same basis

with the rental income recognition, during the entire leasing period; other insignificant initial direct expenses will be included in current gains/losses, or will be included in current gains/losses when rental has occurred actually.

(3) Recording the finance lease business, in which the Company is lessee

On the starting date of finance lease, include the fair value of the leased assets or the present value of the lowest payment for the lease, whichever is lower, in the entry value of the leased assets, and include the lowest payment for the lease as the entry value of long-term payables, include the difference as the non-recognized financing expenses. In addition, initial direct expenses incurred in lease negotiation and leasing contract execution process, which can be attributable to the leased items, will be included in value of the leased assets. The lowest payment for the lease deducting non-recognized financing expenses shall be presented as long-term liabilities and the long-term liabilities due within one year

For non-recognized financing expenses, recognize the current financing expenses by practical interest method. Contingent rental will be included in current gains/losses at practical occurrence.

(4) Recording the finance lease business, in which the Company is lessor

On the starting date of finance lease, include the sum of the initial direct expenses and the lowest receivables for the lease in the entry value of the leased assets, and record the non-guaranteed residual value. In addition, recognize the difference between the sum of the lowest receivables for the lease, initial direct expenses and non-guaranteed residual value and the sum of the its present value as non-realized financing proceeds. The financing proceeds collectible for the lease deducting non-realized financing proceeds shall be presented as long-term creditor's rights and the long-term creditor's rights due within one year.

For non-realized financing proceeds, recognize the current financing income by practical interest method. Contingent rental will be included in current gains/losses at practical occurrence.

26. Production safety fees and renovation fund

The Company shall withdraw the safety production costs according to the related provision of CQ [2012] No. 16 Document issued by the Ministry of Finance and the State Administration of safety supervision.

Where the production safety fees withdrawn have been used within required scope, offset with the specific reserve if used as expenses, and include in construction in progress if forming into fixed assets; in the meantime, offset the specific reserves based on the cost of the fixed assets formed, and recognize the same amount of accumulated depreciation. The fixed assets will not be withheld depreciation in future period.

27. Changes of Important Accounting Policies and Accounting Estimates

(1) Changes of Main Accounting Policies

① Accounting policy changes due to the implementation of the new accounting standards

In early 2014, the Ministry of Finance has issued Accounting Standard for Business Enterprises No. 39—Fair Value Measurement, Accounting Standards for Enterprises No. 30 -- Presentation of Financial Statements (Revised Edition 2014), Accounting Standard for Business Enterprises No. 9 -- Employee Compensation (Revised Edition 2014), Accounting Standard for Business Enterprises No. 33 -- Consolidated financial statements (Revised Edition 2014), Accounting Standard for Business Enterprises No. 40 -- Joint Venture Arrangement, Accounting Standards for Enterprises No.2 - Long-term Equity Investments (Revised Edition 2014) and Accounting Standard for Business Enterprises No. 41 -- Disclosure of Interest in Other Entities in

CK [2014] No. 6, 7, 8, 10, 11, 14, 16 Documents, requiring that all enterprises within the scope of implementing accounting standard for business enterprises shall started to implement them since July 1, 2014 and overseas listed enterprises shall be encouraged to implement them in advance.. Meanwhile, the Ministry of Finance issued Accounting Standard for Enterprise No. 37- Presentation of Financial Instruments (Revised Edition 2014) in CK [2014] No. 23 Document (hereinafter referred to as" Financial Instruments Presentation Guidelines"), requiring that the financial instruments in the financial statements since 2014 shall be presented in accordance with the requirements in these guideline.

According to the resolution adopted at the 22th meeting of the 4th session of Board Meeting of the Company held on Oct. 29, 2014, the Company will begin to implement 7 new or revised enterprise accounting principles besides the above mentioned Financial Instruments Presentation Guidelines since July 1, 2014; the Financial Instruments Presentation Guidelines shall be implemented when preparing the annual financial report in 2014; adjustment has been made according to the requirements for the convergence of the guidelines; the impact on the items and amount in financial statements presented in the current period or previous period are as follows:

Name of Guideline	Description about the contents of accounting policy changes and the impact on the Company	Impacted amount of the financial statements for the year of 2013 as of January 1, 2014	
		Project Name	Amount affected Increase +/ Decrease -
Accounting Standards for Enterprises No.2 - Long-term Equity Investments (Revised Edition 2014);	Before the Accounting Standards for Enterprises No.2 - Long-term Equity Investments (Revised Edition 2014) is implemented, the Company's equity investment which is not quoted in an active market and whose fair value cannot be reliably measured into the investee not under common control or significant influence shall be accounted by employing the cost method. After the Accounting Standards for Enterprises No.2 - Long-term Equity Investments (Revised Edition 2014) has been implemented, the Company's equity investments that do not have control, joint control or does not have significant influences on the invested entity, and whose fair value of the assets received or surrendered can be measured reliably shall be accounted as financial assets available for sale. The Company adopts the retrospective adjustment method to make accounting treatment for the above accounting policy changes.	Long-term equity investment	-183,400,000.00
		Financial Assets Available for Selling	+183,400,000.00
Accounting Standard for	Accounting Standard for Business Enterprises No. 30 -- Joint Venture Arrangement (2014	Other current liabilities	-52,023,976.76

Business Enterprises No. 30 -- Joint Venture Arrangement (Revision);	Revision) shall be presented under the deferred income of asset-related government subsidy. These financial statements have been presented according to the provisions of such guidelines, and have made corresponding adjustment to the presentation of financial statements of the comparable year.	Deferred income	+52,023,976.76
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In addition, the Company has disclosed the interest in other entities in the financial statements of this year according to the provisions in *Accounting Standard for Business Enterprises No. 41 -- Disclosure of Interest in Other Entities*. The adoption of such standard shall not cause significant impact on the recognition and measurement of the items in financial statements.

In addition to the above impact, the Company's management believe that the adopting the above accounting standards has not caused significant impact on the Company's financial statements.

(2) Changes of accounting estimates

The Company has no modification of accounting appraisal in this year.

28. Significant accounting judgment and estimates

In the course of applying accounting policy, due to the uncertainty of the operation activities, the Company shall judge, estimate and presume the book value of the statement items which can not be accurately measured. The judgment, estimates and presumptions has been based on previous historical experience of the management, and considering other relevant factors. The judgment, estimates and presumption will influence the reporting amount of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on balance sheet date. However, results caused by the uncertainty of the estimates may be different from the current estimates of the Company's management, and further cause significant adjustment to the book value of assets or liabilities to be affected in the future

The Company will review the above judgment, estimate and presumption based on continuous operation, and if the changes of accounting estimates will only affect the current period, recognize the influence for the current period; if it will influence current period and future period, the influence amount will be recognized for the current period and future period.

On balance sheet date, the Company shall judge, estimate and presume the following important areas for the amount of financial statement items:

(1) Revenue from the sale of goods

When making recognition of the sales income of products, the specific recognition method adopted by the Company is as follows: The specific recognition timing point of domestic sale is when the products are delivered to customers according to the agreed delivery mode; no management and control shall be continuously implemented on such products and the realization of sales income is recognized when other income recognition conditions are met. The specific recognition timing point of overseas sale is when the products have been shipped or the bill of loading has been submitted to the buyer; no management and control shall be continuously implemented on such products and the realization of sales income is recognized when other income recognition conditions are met.

(2) Bad debt provision

The Company will calculate bad debt loss based on offset method according to the accounting

policy on accounts receivable. Depreciation of accounts receivable shall be based on the recoverability of accounts receivable. Management shall make judgment and estimates on determining the depreciation of accounts receivable. Difference of the actual results and original estimates will be withdrawn or carried forward during the period the estimated are changed.

(3) Inventory devalue provision

The Company will measure it based on the cost and the net realizable value, whichever is lower, according to the inventory accounting policy. In case the cost is higher than the net realizable value, and for outdated and un-salable inventory, provide falling price reserves. Depreciation of inventory to the net realizable value shall be determined based on the estimates on the marketable status and net realizable value of the inventory. Management shall acquire evidence to determine the depreciation of inventory, and consider the purpose of the inventory, influence of events upon the balance sheet date etc. Difference of the actual results and original estimates will be withdrawn or carried forward during the period the estimated are changed.

(4) Impairment of available-for-sale financial assets

It is largely dependent on management's judgment and assumptions to determine whether there is impairment of available for sale financial assets, in order to decide whether the impairment losses shall be recognized in the income statement. During the process of making judgments and assumptions, the Company shall evaluation the different between the fair value and cost of such investment, the duration, as well as the financial condition and near-term business outlook of the invested entity, including the industry conditions, technological change, credit ratings, defaults and counterparty risk.

(5) Depreciation reserves of non-financial non-liquid assets

The Company will judge whether non-liquid assets except for financial assets will be depreciate, on balance sheet date. For intangible assets with uncertain service life, carry out depreciation test every year, or in case of any hint of depreciation. For other non-liquid asset except for financial assets, carry out depreciation test when hints indicate that the book value may not be recovered.

When the book value of the assets or asset group is higher than recoverable amount, namely, the net value of fair value deducting disposition fees or the present value of expected future cash flow, whichever is higher, it indicates depreciation.

Net value of the fair value deducting disposition fee, and with reference to the price of sales agreement of similar assets in fair transaction or to observable market price, shall be determined by deducting the incremental cost attributable to the assets disposition.

In estimating the present value of expected future cash flow, it is necessary to make key judgment on the output, selling price, relevant operation cost and discount rate used for calculating present value etc of the asset or asset group. The Company will consider relevant data available when making estimates for the recoverable amount, including relevant estimates on the output, selling price and relevant operation cost based on reasonable and supportive presumption.

(6) Depreciation and amortization

The Company will provide depreciation and amortization by straight-line method during the serviced life of investment real estate, fixed assets and intangible assets, considering the residual value. The Company will review the service life periodically to determine the amount of depreciation and amortization in each reporting period. Service life shall be determined by the Company based on the previous experience in similar assets connecting the technical update on

the estimates. In case of key changes to previous estimates, adjust the depreciation and amortization expenses in future period.

(7) Income taxes

During the normal operation of the Company, some transaction may be uncertain in terms of taxation treatment and calculation. Some items shall be approved by competent taxation authority as to presentation before tax. In case such taxation issues are treated differently from the previous estimates, the difference may influence the current income tax and deferred income tax.

V. Taxes

1. Main Tax Categories and Tax Rate

Tax type	Specific Tax
Value-added tax	For taxable income, the output tax shall be calculated at the rate of 17%, 13%, 11%, 6% and 3%; the value-added tax shall be calculated on the basis of the difference after deducting the current deductible input tax.
Sales tax	The sales tax shall be calculated on the basis of taxable turnover at the rate of 3% and 5%.
Tax type	Specific Tax
Urban maintenance and construction tax	It is calculated on the basis of the actually paid turnover tax at the rate of 7%.
Education surtax	It is calculated on the basis of the actually paid turnover tax at the rate of 3%.
Local educational surtax	It is calculated on the basis of the actually paid turnover tax at the rate of 2%.
Local foundation for water conservancy construction	It is calculated on the basis of the actually paid turnover tax at the rate of 1%.
Enterprise income tax	It is calculated on the basis of the taxable income at the rate of 25%.
House property tax	It is calculated on the basis of the 1.2% of 70% of the original value of house.

2. Tax preferences and approval documents

The Company has not enjoyed tax incentives within this reporting period.

VI. Annotations to the consolidated financial statements

Unless otherwise indicated, in the following Annotations (including annotations to the main item of the Company's financial statements), the beginning of year refers to January 1, 2014 and the end of year refers to December 31, 2014.

1. Monetary funds

Item	Year-end balance	Year-opening balance
Cash on hand	1,333,853.18	1,040,669.50
Bank deposit	1,745,899,646.08	1,854,730,053.54
Other monetary fund	469,450,831.73	260,389,440.09
Total	2,216,684,330.99	2,116,160,163.13
Total amount of funds deposited overseas		

Note: Other monetary funds mainly include bank acceptance bill deposit and guarantee deposit, etc.

2. Bills Receivable

(1) Classification of bills receivable

Item	Year-end balance	Year-opening balance
Bank acceptance bill	866,999,228.52	3,315,278,822.10
Commercial acceptance bill	18,310,000.00	5,400,000.00
Total	885,309,228.52	3,320,678,822.10

(2) The Company's notes receivable that have been endorsed or discounted but not due on the balance sheet date at the end of this year

Item	Amount derecognized at the end of the period	Amount derecognized at the end of the period
Bank acceptance bill	8,750,833,049.43	
Commercial acceptance bill		
Total	8,750,833,049.43	

(3) List of notes that are transferred into accounts receivable as the issuer fails to keep a promise at the end of the year

Item	Amount of accounts receivable transferred at the end of year
Bank acceptance bill	500,000.00
Total	500,000.00

Note: There is maturity note payment that has not been recovered in the current period; the par value of RMB 500,000.00; as it has not been recovered overdue, it shall be carried into accounts receivable and the provision for bad debts shall be made by the aging combination method.

3. Accounts Receivable

(1) Classification and disclosure and of accounts receivable

Category	Year-end balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Accounts receivable for which provision for bad debts is made and for which a single item has significant amount					
Accounts Receivable Whose Bad Debt Reserves shall be Withdrawn Based on Combination of Credit Risk Characteristics					
Combination 1: Accounts receivable of large single amount and with bad debt reserves drawn by aging combinations	471,049,227.57	97.84	91,384,895.78	19.40	379,664,331.79
Combination 2: The accounts receivable without impairment that shall accept impairment testing individually	3,000,147.22	0.62			3,000,147.22

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Combination Subtotal	474,049,374.79	98.46	91,384,895.78	19.28	382,664,479.01
Total amounts of accounts receivable which single amount is not significant and has deducted the provision for bad debts	7,411,736.38	1.54	7,411,736.38	100.00	
Total	481,461,111.17	100.00	98,796,632.16	20.52	382,664,479.01

(Continued)

Category	Year-opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Accounts receivable for which provision for bad debts is made and for which a single item has significant amount					
Accounts Receivable Whose Bad Debt Reserves shall be Withdrawn Based on Combination of Credit Risk Characteristics					
Combination 1: Accounts receivable of large single amount and with bad debt reserves drawn by aging combinations	535,775,504.26	97.28	81,700,148.31	15.25	454,075,355.95
Combination 2: The accounts receivable without impairment that shall accept impairment testing individually	7,528,025.96	1.37			7,528,025.96
Combination Subtotal	543,303,530.22	98.65	81,700,148.31	15.04	461,603,381.91
Total amounts of accounts receivable which single amount is not significant and has deducted the provision for bad debts	7,411,736.38	1.35	7,411,736.38	100.00	
Total	550,715,266.60	100.00	89,111,884.69	16.18	461,603,381.91

①In the combination, the provision for bad debts of accounts receivable is deducted by means of aging analysis method:

Account age	Year-end balance		
	Accounts receivable	Bad debt provision	Provision proportion (%)
Within 1 year	260,860,629.39	13,043,031.45	5.00
1-2 years	78,293,469.51	7,829,346.96	10.00
2-3 years	78,357,339.31	23,507,201.81	30.00
3-4 years	4,498,333.41	3,598,666.72	80.00

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4-5 years	7,288,615.12	5,830,892.10	80.00
Over 5 years	41,750,840.83	37,575,756.74	90.00
Total	471,049,227.57	91,384,895.78	19.40

② In the combination, the accounts receivable without impairment that shall accept impairment testing individually

Item	Year-end balance		
	Accounts receivable	Bad debt provision	Provision proportion (%)
Sany Heavy Machinery Co., Ltd.	2,475,093.99		
Shanghai Sany Heavy Machine Industry Co., Ltd.	491,311.18		
Jiangsu New Century Shipbuilding Co., Ltd.	33,742.05		
Total	3,000,147.22		

Note: In this combination, the above amounts have been recovered before the reporting date.

(2) The provisions of bad debts accrued, recovered or reversed in the current year:

The amount of provision made for bad debt is RMB 9,750,223.11; there is no provision for bad debt that cannot be recovered or reversed in this year.

(3) The top five accounts receivable in terms of balance at the end of period according to the borrowers:

The total amount of the top five accounts receivable at the end of the period listed according to the borrowers is RMB 149,476,577.4, accounting for 31.05% of the total balance of accounts receivable in this year; the total amount of the accrued balance of provision for bad debts at the end of period is RMB 18,650,863.06.

4. Advance Payment

(1) Prepayment accounts are listed according to age

Account age	Year-end balance		Year-opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	782,700,548.93	96.65	395,014,379.77	95.23
1-2 years	12,865,098.28	1.59	9,675,277.41	2.33
2-3 years	5,920,458.59	0.73	1,584,593.00	0.38
Over 3 years	8,349,332.64	1.03	8,535,500.71	2.06
Total	809,835,438.44	100.00	414,809,750.89	100.00

Note: Significant prepayments with the account age of over 1 year are mainly the unsettled payments for goods of the supplier units.

(2) The top five advanced payment in terms balance at the end of period according to the payment objects

The sum of top 5 advanced payment in terms balance at the end of period according to the payment objects is RMB 601,627,115.20, accounting for 73.9% of the total advanced payment balance at the end of year.

5. Other accounts receivable

(1) Classification and disclosure of other accounts receivable

Category	Year-end balance
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	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Total amounts of other accounts receivable which single amount is significant and has deducted the bad debt reserve in single item	242,131,016.35	42.63	242,131,016.35	100.00	
Other accounts Receivable Whose Bad Debt Reserves shall be Withdrawn Based on Combination of Credit Risk Characteristics					
Combination 1: The other accounts receivable of which the provision for bad debts is withdrawn according to the combination	152,519,817.45	26.85	14,834,527.58	9.73	137,685,289.87
Combination 2: The other accounts receivable without impairment that shall accept impairment testing individually	172,170,216.92	30.32			172,170,216.92
Combination Subtotal	324,690,034.37	57.17	14,834,527.58	4.57	309,855,506.79
Total amounts of other accounts receivable which single amount is not significant and has withdrawn the provision for bad debts	1,149,559.50	0.20	1,149,559.50	100.00	
Total	567,970,610.22	100.00	258,115,103.43	45.45	309,855,506.79

(Continued)

Category	Year-opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Total amounts of other accounts receivable which single amount is significant and has deducted the bad debt reserve in single item	245,020,562.45	46.14	245,020,562.45	100.00	
Other accounts Receivable Whose Bad Debt Reserves shall be Withdrawn Based on Combination of Credit Risk Characteristics					

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Combination 1: The other accounts receivable of which the provision for bad debts is withdrawn according to the combination	76,377,851.01	14.39	9,406,987.14	12.32	66,970,863.87
Combination 2: The other accounts receivable without impairment that shall accept impairment testing individually	200,061,149.96	37.68			200,061,149.96
Combination Subtotal	276,439,000.97	52.07	9,406,987.14	3.40	267,032,013.83
Total amounts of other accounts receivable which single amount is not significant and has withdrawn the provision for bad debts	9,487,333.10	1.79	1,149,559.50	12.12	8,337,773.60
Total	530,946,896.52	100.00	255,577,109.09	48.14	275,369,787.43

① Total amounts of other accounts receivable which single amount is significant and has deducted the bad debt reserve in single item at the end of the year

Other accounts receivable (by unit)	Year-end balance			
	Other receivables	Bad debt provision	Provision proportion (%)	Reason for making provision
Kunlun Securities Co., Ltd.	224,064,922.90	224,064,922.90	100.0	The company has been bankrupted and gone into liquidation
Jining Yuanda Steel Co., Ltd.	18,066,093.45	18,066,093.45	100.00	It is individually identified and it is difficult to be recovered
Total	242,131,016.35	242,131,016.35	—	—

② In the combination, the provision for bad debts of other accounts receivable is deducted by means of aging analysis method:

Account age	Year-end balance		
	Other receivables	Bad debt provision	Provision proportion (%)
Within 1 year	134,499,642.01	6,724,982.10	5.00
1-2 years	5,461,793.56	546,179.35	10.00
2-3 years	5,225,922.52	1,567,776.74	30.00
3-4 years	5,813,663.58	4,650,930.87	80.00
4-5 years	222,576.80	178,061.44	80.00
Over 5 years	1,296,218.98	1,166,597.08	90.00
Total	152,519,817.45	14,834,527.58	9.73

③ In the combination, other accounts receivable without impairment that shall accept impairment testing individually

Name of combination	Year-end balance		
	Accounts receivable	Bad debt provision	Provision proportion (%)
Imported ore VAT	85,521,623.24		
Income tax to be identified	81,598,819.77		
Reserve funds, etc.	5,049,773.91		
Total	172,170,216.92		

(2) The provisions of bad debts accrued, recovered or reversed in the current year:

The amount of provision made for bad debt is RMB 5,427,540.44; the amount of provision for bad debt that cannot be reversed in this year is RMB 2,889,546.10.

Among them, important provision for bad debt reversed in this year

Company Name	Amount reversed or recovered	Mode of recovery
Kunlun Securities Co., Ltd.	2,889,546.10	Transfer
Total	2,889,546.10	

Note: The credit of bankrupt of Kunlun Securities Co., Ltd. recovered in this reporting period is RMB 2,889,546.10; the bankrupt case is still ongoing.

(3) Classification of other accounts receivable by the nature of amount

Nature of amount	Year-end book balance	Year-opening book balance
Reserve funds	4,751,914.89	4,576,301.77
Margin and deposit	10,169,309.83	5,106,026.58
Input tax to be deducted	167,120,443.01	176,855,987.53
Suspense payment	140,109,790.15	61,095,864.99
Bad claim	242,131,016.35	245,020,562.45
Other	3,688,135.99	38,292,153.20
Total	567,970,610.22	530,946,896.52

(4) The top five other accounts receivable in terms of balance at the end of period according to the borrowers

Company Name	Nature of amount	Year-end balance	Account age	Proportion to the total year-end balance of other accounts receivable (%)	Year-end balance of bad debt reserves
Kunlun Securities Co., Ltd.	Bad claim	224,064,922.90	Over 5 years	39.45	224,064,922.90
Shandong Laiwu Steel International Corp.	Payment for export agency	111,266,653.57	Within 1 year	19.59	5,563,332.68

Imported ore VAT	Tax deductible	85,521,623.24	Within 1 year	15.06	
VAT to be identified	Tax deductible	81,598,819.77	Within 1 year	14.37	
Jining Yuanda Steel Co., Ltd.	Bad claim	18,066,093.45	Over 5 years	3.18	18,066,093.45
Total	—	520,518,112.93		91.65	247,694,349.03

6. Inventories

(1) Inventory classification

Item	Year-end balance		
	Book balance	Falling Price Reserves	Book value
Raw and auxiliary materials	1,992,313,071.58	39,251,924.21	1,953,061,147.37
Spare parts	470,958,190.90		470,958,190.90
Low value consumables	2,984,366.18		2,984,366.18
Commission processing materials	5,112,434.62		5,112,434.62
Materials in transit	2,006,546.81		2,006,546.81
Goods in process	81,386,067.45		81,386,067.45
Self-manufactured Semi-finished Products	570,541,031.95	11,129,338.04	559,411,693.91
Finished products	1,039,668,213.65	27,140,660.47	1,012,527,553.18
Total	4,164,969,923.14	77,521,922.72	4,087,448,000.42

(Continued)

Item	Year-opening balance		
	Book balance	Falling Price Reserves	Book value
Raw and auxiliary materials	3,986,710,079.32	106,726,263.38	3,879,983,815.94
Spare parts	644,600,964.58		644,600,964.58
Low value consumables	10,188,270.63		10,188,270.63
Commission processing materials	1,932,803.69		1,932,803.69
Materials in transit	5,618,882.15		5,618,882.15
Goods in process	97,559,168.93		97,559,168.93
Self-manufactured semi-finished products	674,813,946.46	13,435,647.72	661,378,298.74
Finished products	1,173,683,363.11	45,987,859.23	1,127,695,503.88
Total	6,595,107,478.87	166,149,770.33	6,428,957,708.54

(2) Inventory falling price reserves

Item	Year-opening balance	Increase of this year		Decrease of this year		Year-end balance
		Provision	Other	Reversal or Writing-off	Other	
Raw and auxiliary	106,726,263.38	39,251,924.21		106,726,263.38		39,251,924.21

materials					
Self-manufactured semi-finished products	13,435,647.72	11,129,338.04		13,435,647.72	11,129,338.04
Finished products	45,987,859.23	24,150,392.50		42,997,591.26	27,140,660.47
Total	166,149,770.33	74,531,654.75		163,159,502.36	77,521,922.72

(3)Basis for making inventory impairment provision and reasons for reversal or write-off in this year

Item	Specific basis for making inventory devalue provision	Reason for inventory devalue reserves reversed in this year	Reason for inventory devalue reserves reversed in this year
Raw and auxiliary materials	At the end of the period, the net realizable value of part of the finished product and related raw materials is lower than the inventory cost.		Product sales have been formed
Self-manufactured semi-finished products			Product sales have been formed
Finished products		Price rise of some products	Products have been sold

7. Other current assets

Item	Year-end balance	Year-opening balance
Prepaid corporate income tax	3,618,545.04	245,217.18
Pending deduct VAT	128,837,015.53	
Advance payment of business tax	4,520.51	
Total	132,460,081.08	245,217.18

8. Financial Assets Available for Selling

(1) Situation of available-for-sale financial assets

Item	Year-end balance			Year-opening balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Debt instruments available for sale						
Equity instruments available for sale	243,400,000.00	60,000,000.00	183,400,000.00	243,400,000.00	60,000,000.00	183,400,000.00
Incl.: Measurement on the basis of fair value						
Incl: Measurement on the basis of cost	243,400,000.00	60,000,000.00	183,400,000.00	243,400,000.00	60,000,000.00	183,400,000.00
Other						
Total	243,400,000.00	60,000,000.00	183,400,000.00	243,400,000.00	60,000,000.00	183,400,000.00

(2) Available-for-sale of financial assets measured by cost at the end of the year

Invested entities	Book balance				Shareholding proportion in the
	Year-opening	Increase in	Decrease in	Year-end	

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		current year	current year		invested company (%)
Heze Julong Energy Sources Co., Ltd.	8,400,000.00	-	-	8,400,000.00	3.00
Shandong Laigang Tiejuan Furnace Charge Co., Ltd.	5,000,000.00	-	-	5,000,000.00	20.00
Shandong Iron and Steel Group Financial Co., Ltd.	170,000,000.00	-	-	170,000,000.00	11.00
Tiantong Securities Co., Ltd.	60,000,000.00			60,000,000.00	4.00
Total	243,400,000.00			243,400,000.00	-

(Continued)

Invested entities	Impairment reserves				Cash bonus of the this year
	Year-opening	Increase in current year	Decrease in current year	Year-end	
Heze Julong Energy Sources Co., Ltd.					
Shandong Laigang Tiejuan Furnace Charge Co., Ltd.					
Shandong Iron and Steel Group Financial Co., Ltd.					
Tiantong Securities Co., Ltd.	60,000,000.00	-	-	60,000,000.00	
Total	60,000,000.00	-	-	60,000,000.00	

(3) Changes in impairment of available for sale financial assets of this year

Classification of Financial Assets Available for Selling	Equity instruments available for sale	Debt instruments available for sale	Other	Total
Year-opening balance of deducted impairment	60,000,000.00			60,000,000.00
Depreciation of this year				
Incl.: Amount transferred from other comprehensive income				
Decrease in current year				
Incl.: Increase and reversal of fair value after the period				
Year-end balance of deducted impairment	60,000,000.00			60,000,000.00

9. Long-term equity investment

Invested entities	Year-opening balance	Increase/decrease in this year				
		Increased investment	Decreased investment	Investment gains and losses recognized by the equity method	Adjustment of other comprehensiv e income	Other changes in equity
Investment in joint						

ventures:					
Bisalloy Jigang (Shandong) Steel Plate Co., Ltd.	14,855,359.78			1,748,417.74	
Total	14,855,359.78			1,748,417.74	

(Continued)

Invested entities	Increase/decrease in this year			Year-end balance	Year-end balance of depreciation reserves
	Cash dividends or profits declared	Accrued depreciation reserves	Other		
Investment in joint ventures:					
Bisalloy Jigang (Shandong) Steel Plate Co., Ltd.	1,528,227.00			15,075,550.52	
Total	1,528,227.00			15,075,550.52	

10. Fixed assets

(1) Status of fixed assets

Item	Houses and buildings	Machinery and equipments	Transportatio n equipments	Electronic equipments	Total
I. Original book value					
1. Year-opening balance	17,185,944,453.22	41,273,148,430.87	488,741,841.93	588,190,014.04	59,536,024,740.06
2. Increase of this year	1,623,566,758.78	3,510,515,686.97	8,717,356.85	52,252,550.14	5,195,052,352.74
(1) Purchased	27,124,328.38	38,442,255.87	1,279,313.93	28,744.71	66,874,642.89
(2) Construction in progress transferred in (Note 1)	1,596,442,430.40	3,472,073,431.10	7,438,042.92	52,223,805.43	5,128,177,709.85
3. Decrease of this year	360,655,981.22	1,329,150,006.03	17,586,080.11	13,996,576.68	1,721,388,644.04
(1) Disposal or scrap	25,524,854.27	208,782,525.23	13,591,635.69	98,113.68	247,997,128.87
(2) Construction in progress transferred in by technical transformation (Note 2)	335,131,126.95	1,120,367,480.80	3,994,444.42	13,898,463.00	1,473,391,515.17
4. Year-end balance	18,448,855,230.78	43,454,514,111.81	479,873,118.67	626,445,987.50	63,009,688,448.76
II. Accumulated depreciation					
1. Year-opening balance	4,378,567,527.63	20,730,577,178.67	336,891,659.71	535,552,094.93	25,981,588,460.94
2. Increase of this year	447,086,966.48	1,516,388,080.26	18,509,175.34	43,324,194.39	2,025,308,416.47
(1) Deduction	423,263,308.01	1,347,917,698.15	16,183,177.67	30,924,097.20	1,818,288,281.03
(2) Construction in progress transferred in (Note 1)	23,823,658.47	168,470,382.11	2,325,997.67	12,400,097.19	207,020,135.44
3. Decrease of this year	125,517,965.49	795,512,552.54	13,764,426.10	13,298,308.41	948,093,252.54
(1) Disposal or scrap	27,542,496.01	171,786,164.03	10,569,977.85	94,768.56	209,993,406.45
(2) Construction in progress transferred in by technical transformation (Note 2)	97,975,469.48	623,726,388.51	3,194,448.25	13,203,539.85	738,099,846.09

4. Year-end balance	4,700,136,528.62	21,451,452,706.39	341,636,408.95	565,577,980.91	27,058,803,624.87
II. Depreciation reserves					
1. Year-opening balance			240,000.00		240,000.00
2. Increase of this year					
(1) Deduction					
(2) Construction in progress transferred in					
3. Decrease of this year					
(1) Disposal or scrap					
(2) Construction in progress transferred in by technical transformation					
4. Year-end balance			240,000.00		240,000.00
IV. Book value					
1. Year-end book value	13,748,718,702.16	22,003,061,405.42	137,996,709.72	60,868,006.59	35,950,644,823.89
2. Year-opening book value	12,807,376,925.59	20,542,571,252.20	151,610,182.22	52,637,919.11	33,554,196,279.12

Note 1: The Company has transferred the fixed assets subject to the technical transformation into the construction in progress, and then transferred them into fixed assets after the technical transformation has been completed.

The original value of fixed assets reversed after the completion of technological transformation in this year is RMB 657,267,500 and the accumulated depreciation is RMB 207,010,100, which is the reversed asset of 1#1750m³ blast furnace.

Note 2: The fixed asset transferred into construction in progress after the implementation of technological transformation is mainly the 2#1750m³ blast furnace.

(2) Fixed assets leased through financing lease

Item	Original book value	Accumulated depreciation	Impairment reserves	Book value
Machinery and equipments	1,223,668,556.35	236,162,422.94		987,506,133.41
Total	1,223,668,556.35	236,162,422.94		987,506,133.41

(3)The Company's fixed assets leased out through operating lease have been due. See details in Annotation XI, 5 (4) Related leasing.

(4) Fixed assets whose ownership certificates have not been obtained at the end of the period

Item	Book value	Reason for why the ownership certificate has not been obtained
Houses and buildings	5,875,706,698.68	The final account of project has not been completed due to the historical reasons.

Note: The house property that the Company has obtained Ownership Certificate is independent and complete, with clear ownership and without dispute; the house property that the Company has not obtained Ownership Certificate due to the historical reasons has no dispute, thus it will not affect the independence, completeness and production & operation.

11. Construction in progress

(1) Situation of construction in progress

Item	Year-end balance	Year-opening balance
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	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Construction in progress	1,657,489,762.62		1,657,489,762.62	4,542,807,078.74		4,542,807,078.74
Total	1,657,489,762.62		1,657,489,762.62	4,542,807,078.74		4,542,807,078.74

(2) Major changes in construction in progress and of this year

Project Name	Budget	Year-opening balance	Increase of this year	The amount transferred into fixed assets in this year	Other decreases	Year-end balance
Technological transformation of 1700 hot rolling line	146,350,000.00	172,968,797.55	28,846,390.85			201,815,188.40
Closing project of 4# 120 ton Converter	90,000,000.00	81,440,116.57	21,169,772.43			102,609,889.00
Hot rolling leveling unit project	93,500,000.00	77,861,288.11	40,439,449.80	118,300,737.91		
Closing project of new heavy plate production line project	65,000,000.00	61,356,099.94	13,700,549.38			75,056,649.32
Newly increased single-stand cold rolling mill project of cold rolling mill	86,350,000.00	50,455,079.33	57,041,625.10	107,496,704.43		
Optimization and modification of iron making 1750 m3 blast furnace	28,120,000.00	38,085,940.30	1,809,536.00	39,895,476.30		
120t converter optimization renovation project	27,120,000.00	36,713,437.15	2,548,747.10	39,262,184.25		
Optimization and modification of continuous casting machine in 120t converter operating area of medium and heavy plate plant	26,000,000.00	35,725,594.95	2,731,095.00	38,456,689.95		
Flue gas desulfurization of 320 sintering machine	45,800,000.00	31,209,927.78	18,117,117.22	49,327,045.00		
Optimization and modification of 45t	21,430,000.00	30,441,087.17	2,340,005.64	32,504,258.81		276,834.00

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converter of medium and heavy plate plant						
Optimization and modification of 2500 production line hot rolling equipment of medium and heavy plate plant	25,310,000.00	28,200,739.15		28,200,739.15		
Closing project of 8 #, 9# coke oven project	27,000,000.00	26,784,551.89	2,612,005.54	27,731,592.55		1,664,964.88
Iron mouth angle transformation of 1# 1750 m3 blast furnace	40,000,000.00	23,721,864.88	18,997,549.57	42,719,414.45		
Optimization and modification of hot strip production line and heating furnace	29,850,000.00	23,354,274.43	2,944,835.00	26,299,109.43		
Optimization and modification of iron making 3200 m3 blast furnace	19,180,000.00	23,063,149.86	47,500.00	23,110,649.86		
Optimization and modification of 4300 production line heating furnace of wide and heavy plate mill	24,000,000.00	21,831,016.19		21,831,016.19		
Optimization and modification of gas thermoelectric system of Energy Power Plant	24,120,000.00	21,270,909.76	237,685.00	21,508,594.76		
Optimization of 4300 production line rough finishing mill of wide and heavy plate mill	24,070,000.00	21,247,005.06		21,247,005.06		
Top loading modified tamping coking of 1#, 2# and 5# coke ovens of Jigang	58,000,000.00	7,277,669.24	3,103,601.19	176,981.19		10,204,289.24
Production line modification project of medium and heavy plate plant	80,360,000.00		77,157,623.02			77,157,623.02
Technological transformation of rolling	22,800,000.00		22,521,367.11			22,521,367.11

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mill of hot strip mill						
Technological transformation of gas thermoelectric system of Energy Power Plant	25,190,000.00		22,244,690.66			22,244,690.66
Technological transformation iron making 3200 m3 blast furnace	21,200,000.00		20,246,248.63			20,246,248.63
Technological transformation of production line of wide and heavy plate mill	51,520,000.00		49,781,917.38			49,781,917.38
Continuous casting machine body of 6# slab continuous casting machine	202,130,000.00		13,932,558.84			13,932,558.84
Optimization and modification of 45t converter	24,970,000.00		22,923,732.99			22,923,732.99
Overhaul and modification of 2# 1750 m3 blast furnace	800,000,000.00		466,284,699.97			466,284,699.97
Optimization and modification of 1750 m3 blast furnace	27,870,000.00		26,920,369.46			26,920,369.46
Optimization and modification of 120 regional casting machine	29,800,000.00		29,588,641.06			29,588,641.06
Product upgrading and technological transformation of special steel system	2,997,300,000.00	2,165,106,261.85	170,591,280.01	2,334,491,431.95		1,206,109.91
Newly established 110KV substation for 60000 oxygen manufacturing	111,070,000.00	41,745,343.34	3,885,829.40	45,580,335.56		50,837.18
Production preparation for product upgrading and technological transformation of special steel system	74,523,700.00	21,110,453.89	53,949,887.75	75,060,341.64		0.00
GIS and 35KV synchronous	56,000,000.00	13,071,265.02	2,883,590.07	15,954,855.09		0.00

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transformation of 110KV system of Yinshan substation						
Construction project of Technology Research and Development Center	341,040,000.00	4,356,221.44	73,768,450.25	77,560,831.07		563,840.62
VD refining furnace of front Yinshan area of special steel division	48,650,000.00	0.00	13,687,678.07	13,686,908.86		769.21
New 130t/h gas boiler of Energy Power Plant	30,680,000.00	8,405,352.14	11,846,975.94	20,252,328.08		0.00
Project of 60000 M3 oxygen making machine	724,100,000.00	668,618,051.65	34,860,791.79	703,478,843.44		
Deep processing of 100,000 tons of crude (light) benzene	237,110,000.00	18,105,607.85		18,105,607.85		
Deep processing of 300,000 tons / year tar	637,390,000.00	216,392,472.29	4,459,448.92			220,851,921.21
Energy management center engineering	45,184,900.00	30,335,144.68	17,031,695.00			47,366,839.68
Yinqian 25MW power generation project	50,000,000.00	27,225,380.70	9,478,220.14			36,703,600.84
Total	7,540,088,600.00	4,027,480,104.16	1,364,733,161.28	3,942,239,682.83		1,449,973,582.61

(Continued)

Project Name	Proportion of cumulative project investment in budget (%)	Progress of works (%)	Accumulated amount of interest capitalization	In which: the amount of capitalized interest of this year	Rate of capitalized interest of this year (%)	Capital source
Technological transformation of 1700 hot rolling line	137.90	98.00	31,838,406.10	19,515,256.12	5.97	Self-raised
Closing project of 4# 120 ton Converter	114.01	96.00	1,671,795.37		5.97	Self-raised
Hot rolling leveling unit project	126.52	100.00	26,277,491.36	16,915,260.20	5.97	Self-raised
Closing project of new heavy plate production line project	115.47	98.00				Self-raised
Newly increased single-stand cold rolling mill project of cold rolling mill	124.49	100.00	20,512,623.83	11,453,470.44	5.97	Self-raised

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Optimization and modification of iron making 1750 m3 blast furnace	141.88	100.00				Self-raised
120t converter optimization renovation project	144.77	100.00				Self-raised
Optimization and modification of continuous casting machine in 120t converter operating area of medium and heavy plate plant	147.91	100.00				Self-raised
Flue gas desulfurization of 320 sintering machine	107.70	100.00	7,984,946.42	7,025,249.27	5.97	Self-raised
Optimization and modification of 45t converter of medium and heavy plate plant	152.97	99.30				Self-raised
Optimization and modification of 2500 production line hot rolling equipment of medium and heavy plate plant	111.42	100.00				Self-raised
Closing project of 8 #, 9# coke oven project	108.88	99.40				Self-raised
Iron mouth angle transformation of 1# 1750 m3 blast furnace	106.80	100.00	6,279,058.70	5,446,618.34	5.97	Self-raised
Optimization and modification of hot strip production line and heating furnace	88.10	100.00				Self-raised
Optimization and modification of iron making 3200 m3 blast furnace	120.49	100.00				Self-raised
Optimization and modification of 4300 production line heating furnace of wide and heavy plate mill	90.96	100.00				Self-raised
Optimization and	89.17	100.00				Self-raised

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modification of gas thermoelectric system of Energy Power Plant						
Optimization of 4300 production line rough finishing mill of wide and heavy plate mill	88.27	100.00				Self-raised
Top loading modified tamping coking of 1#, 2# and 5# coke ovens of Jigang	88.00	100.00	4,644,083.61		5.97	Self-raised
Production line modification project of medium and heavy plate plant	96.01	94.00				Self-raised
Technological transformation of rolling mill of hot strip mill	98.78	95.00				Self-raised
Technological transformation of gas thermoelectric system of Energy Power Plant	88.31	94.00				Self-raised
Technological transformation iron making 3200 m3 blast furnace	95.50	95.00				Self-raised
Technological transformation of production line of wide and heavy plate mill	96.63	97.00				Self-raised
Continuous casting machine body of 6# slab continuous casting machine	6.89	80.00	5,531,833.30	5,531,833.30	5.97	Self-raised
Optimization and modification of 45t converter	91.81	97.00				Self-raised
Overhaul and modification of 2# 1750 m3 blast furnace	58.29	99.00				Self-raised
Optimization and modification of 1750 m3 blast furnace	96.59	95.00				Self-raised

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Optimization and modification of 120 regional casting machine	99.29	96.00				Self-raised
Product upgrading and technological transformation of special steel system	77.99	100.00	212,898,272.49	80,540,430.86	6.00	Self-raised
Newly established 110KV substation for 60000 oxygen manufacturing	41.08	100.00				Self-raised
Production preparation for product upgrading and technological transformation of special steel system	100.72	100.00				Self-raised
GIS and 35KV synchronous transformation of 110KV system of Yinshan substation	28.49	100.00				Self-raised
Construction project of Technology Research and Development Center	22.91	100.00				Self-raised
VD refining furnace of front Yinshan area of special steel division	28.14	100.00				Self-raised
New 130t/h gas boiler of Energy Power Plant	66.01	100.00				Self-raised
Project of 60000 M3 oxygen making machine	97.15	100.00				Own fund
Deep processing of 100,000 tons of crude (light) benzene						
Deep processing of 300,000 tons / year tar	34.65	34.65				Self-raised
Energy management center engineering	104.83	95.00				Self-raised
Yinqian 25MW power generation project	73.41	70.00				Self-raised
Total			317,638,511.18		146,428,118.53	

12. Settlement of fixed assets

Item	Year-end balance	Year-opening balance
3, 4# Iron-making coke ovens		8,353.66

50,000 cubic meters of thin oil sealed dry cabinet		707,327.45
6, 8# blast furnace blowers		421,673.87
Part of scrap pipes and equipments in the chemical plant	544,880.72	
Scrap equipments of 3, 4# iron-making coke ovens	2,882,750.41	
Scrap equipments of 3200 roughing mill and supporting machines of medium and heavy plate plant	3,470,422.53	
Eliminated pressure reduction equipment of Energy Power Plant	296,944.14	
Coal washing water treatment system for 1#2#1750 blast furnaces	2,108,059.81	
Transport vehicle	103,957.90	
Portal crane	438,075.51	
Deep well scrapped assets transferred to Zhangbaqiu	495,666.38	
Total	10,340,757.40	1,137,354.98

Note: The Company's cleaning project of part of fixed assets has not been completed in 2014; it is expected to be completed in 2015.

13. Intangible assets

Item	Land use right	Software	Patent right	Other	Total
I. Original book value					
1. Year-opening balance	167,538,195.50	5,106,877.00	2,400,000.00		175,044,872.50
2. Increase of this year	298,497.00				296,497.00
(1) Purchased	296,497.00				296,497.00
3. Decrease of this year					
(1) Disposal					
4. Year-end balance	167,834,692.50	5,106,677.00	2,400,000.00		175,341,369.50
II. Accumulated amortization					
1. Year-opening balance	9,439,616.39	4,982,543.80	1,260,000.00		15,682,160.19
2. Increase of this year	3,351,946.18	65,366.53	240,000.00		3,657,312.71
(1) Deduction	3,351,946.18	65,366.53	240,000.00		3,657,312.71
3. Decrease of this year					
(1) Disposal					
4. Year-end balance	12,791,562.57	5,047,910.33	1,500,000.00		19,339,472.90
III. Depreciation reserves					
1. Year-opening balance					
2. Increase of this year					
(1) Deduction					
3. Decrease of this year					
(1) Disposal					

4. Year-end balance					
IV. Book value					
1. Year-end book value	155,043,129.93	58,766.67	900,000.00		156,001,896.60
2. Year-opening book value	158,098,579.11	124,133.20	1,140,000.00		159,362,712.31

14. Long-term prepaid expenses

Item	Year-opening balance	Increase of this year	Amortization of this year	Other decreases	Ending amount
Decoration fee	36,499.92		36,499.92		
Long-term lease rent	155,420.79		155,420.79		
Total	191,920.71		191,920.71		

15. Deferred income tax assets

(1) Details of deferred income tax assets

Item	Year-end balance		Year-opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	201,287,504.52	50,321,876.13	218,036,341.88	54,509,085.47
Deductible losses			105,938,603.40	26,484,650.85
Termination benefits	104,047,048.92	26,011,762.23		
Total	305,334,553.44	76,333,638.36	323,974,945.28	80,993,736.32

(2) Details of the unrecognized deferred income tax assets

Item	Year-end balance	Year-opening balance
Provision for asset impairment	297,694,855.19	388,685,484.92
Deductible losses	5,080,111,840.20	3,759,621,683.05
Expected liabilities	24,953,563.40	28,000,000.00
Total	5,402,760,258.79	4,176,307,167.97

(3) The deductible losses on unrecognized deferred income tax assets will be due in the next year.

Year	Year-end balance	Year-opening balance	Remarks
2014		67,121,413.48	
2015			
2016			
2017	3,258,612,569.14	3,340,576,868.42	
2018	351,923,401.15	351,923,401.15	
2019	1,469,575,869.91		
Total	5,080,111,840.20	3,759,621,683.05	

16. Other non-current assets

Item	Year-end balance	Year-opening balance
Advanced payment on equipment	89,187,461.94	
Total	89,187,461.94	

17. Short-term loan

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Item	Year-end balance	Year-opening balance
Pledge loan (Note 1)	160,000,000.00	476,685,367.60
Secured loan (Note 2)	5,599,880,473.22	5,620,898,412.61
Credit loan	7,546,190,000.00	5,363,969,000.00
Total	13,306,070,473.22	11,461,552,780.21

Note 1: The Company has obtained RMB 60,000,000.00 from Jinan Dongjiao Sub-branch, ICBC through factoring financing with the Company's accounts receivable of RMB 69,682,124.24 as pledge; the Company has obtained RMB 100,000,000.00 from Laiwu Branch, Agricultural Bank of China through factoring financing with the Company's accounts receivable of RMB 156,989,664.00 as pledge.

Note 2: The guaranteed loans mainly are the secured loans provided by Shandong Iron and Steel Group Co., Ltd., Jinan Iron and Steel Group Co., Ltd. and Jinan Baode Motor Transport Co., Ltd. provided to the Company.

18. Notes Payable

Type	Year-end balance	Year-opening balance
Commercial acceptance bill	65,000,000.00	10,000,000.00
Bank acceptance bill	1,156,950,000.00	792,743,669.74
Total	1,221,950,000.00	802,743,669.74

Note: The above balances are all notes payable due within one year.

19. Accounts payable

(1) Accounts payable are listed as follows

Item	Year-end balance	Year-opening balance
Payment for materials	10,997,112,138.12	17,420,249,773.01
Project payment	473,798,529.28	609,316,916.45
Freight	119,330,207.51	55,843,042.71
Other payables	502,247,659.88	382,129,146.69
Total	12,092,488,534.79	18,467,538,878.86

(2) Description of the important accounts payable with the account age of more than 1 year

Item	Year-end balance	Reason for not repaying or carrying-over
Danieli Changshu Metallurgical Equipment and Service Co., Ltd.	7,840,500.00	Unsettled
Huaibei Xu Lou Mining Co., Ltd.	7,387,592.19	Unsettled
Jinzhong Jusheng Energy Sources Co., Ltd.	6,892,106.11	Unsettled
Total	22,120,198.30	

20. Item received in advance

(1) Accounts advanced are listed as follows:

Item	Year-end balance	Year-opening balance
Payment for goods	1,833,821,781.96	2,068,880,434.68
Total	1,833,821,781.96	2,068,880,434.68

(2) Significant advanced payments with the account age of over 1 year

Item	Year-end balance	Reason for not repaying or carrying-over
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China Petroleum Materials Corp.	8,308,974.10	Advanced payment of deposit for purchasing goods
Yantai Yinfeng Chemical Co., Ltd.	5,257,901.64	Advanced payment of deposit for purchasing goods
Shanghai Zhongpu Enterprise Development Co., Ltd.	3,000,000.00	Advanced payment of deposit for purchasing goods
Total	16,566,875.74	

21. Employee benefits payable

(1) Employee remuneration payable is listed as follows

Item	Year-opening balance	Increase in current year	Decrease in current year	Year-end balance
I. Short-term remuneration	221,487,494.92	3,157,566,028.51	2,976,323,155.97	402,730,367.46
II. Post-employment benefit plan--defined contribution plan	48,620,666.45	366,194,673.63	376,313,660.77	38,501,679.31
III. Termination benefits (Note)		54,460,764.95	105,200.00	54,355,564.95
Total	270,108,161.37	3,578,221,467.09	3,352,742,016.74	495,587,611.72

Note: The wages and social insurance premiums paid for "early retired workers" shall be treated by referring to the termination benefits and shall be included in the current profit and loss when the conditions for recognition are met.

(2) Short-term remuneration is listed as follows

Item	Year-opening balance	Increase in current year	Decrease in current year	Year-end balance
1. Wages, bonuses, allowances and subsidies	126,557,791.87	2,115,734,091.64	2,088,852,958.25	153,438,925.26
2. Employee benefits (Note 1)	-	423,132,473.55	423,132,473.55	-
3. Social insurance premiums	17,834,594.04	195,908,031.40	196,643,677.38	17,098,948.06
Incl.: Medical insurance premiums	34,561.21	162,381,230.47	161,928,032.62	487,759.06
Industrial injury insurance premium	13,243,799.97	18,654,139.46	19,407,651.90	12,490,287.53
Maternity insurance premium	4,556,232.86	14,872,661.47	15,307,992.86	4,120,901.47
4. Housing fund	13,607.81	217,871,114.05	217,871,114.05	13,607.81
5. Union funds and employee education funds (Note 2)	77,081,501.20	204,920,317.87	49,822,932.74	232,178,886.33
Total	221,487,494.92	3,157,566,028.51	2,976,323,155.97	402,730,367.46

Note 1: In recent years, the Company has paid the overall external expenses of retired works of Jinan Branch with the balance of wage in accordance with the "Approval on paying the overall external expenses of retired works of Jinan Iron and Steel Group Co., Ltd. affiliated to Shandong Iron and Steel Group Co., Ltd. with balance of wages" issued by Shandong Province State owned assets supervision and Administration Commission; in 2014, the balance of wages has been used out. According to the provisions of LGZCJZ [2014] No., 64 "Notice of SASAC of Shandong Province on Doing a Good Job in financial account management and financial statements preparation of provincial-level enterprises in 2014", the overall external expenses paid to retired

workers from the employee benefits is RMB 182,714,300.

Note 2: In August 2014, Jigang Group changed original mode of paying for trade union's fee, education fee, staff welfare fee to the Group and the Group's unified management and use. In this year, Jinan Branch has established a trade union organization, staff education and training center. Jigang Group transferred the union's fee of RMB 80,475,200 and the education fee of RMB 66,790,900 originally under unified management and use to Jinan Branch.

(3) Defined contribution plans are listed as follows:

Item	Year-opening balance	Increase in current year	Decrease in current year	Year-end balance
1. Basic endowment insurance pension	23,539,488.28	346,910,052.80	357,704,798.71	12,744,742.37
2. Unemployment insurance payments	25,081,178.17	19,284,620.83	18,608,862.06	25,756,936.94
Total	48,620,666.45	366,194,673.63	376,313,660.77	38,501,679.31

Note: The Company has participated in the pension insurance, unemployment insurance established by government agencies. According to such plans, the Company shall make contribution to such plans according to 18%, 1% of the basic gas. In addition to the monthly payment, the Company shall not assume further payment obligations. The corresponding expenses shall be included in the current profit and loss upon occurrence.

22. Taxes Payable

Item	Year-end balance	Year-opening balance
Value-added tax	6,373,709.97	-73,045,290.81
Sales tax	31,281.26	394,463.98
Enterprise income tax	4,514,657.16	7,377,311.53
Personal income tax	6,014,374.75	2,900,932.71
Urban maintenance and construction tax	601,828.68	8,707,947.39
Education surtax	430,038.90	6,219,962.49
House property tax	6,885,241.42	8,828,202.78
Land use tax	23,046,363.90	15,819,141.28
Stamp tax	1,761,615.93	2,104,303.24
Other	758,242.44	2,034,210.86
Total	50,417,354.41	-18,658,814.55

23. Interest payable

Item	Year-end balance	Year-opening balance
Interest on loans	2,692,287.68	14,283,866.70
Interest on corporate bonds	98,280,000.00	98,280,000.00
Total	100,972,287.68	112,563,866.70

24. Dividend payable

Item	Year-end balance	Year-opening balance
Common stock dividends	1,694,029.60	1,694,029.60
Total	1,694,029.60	1,694,029.60

Note: The dividend of RMB 1,694,000 that shall be paid to the non tradable shareholder, Shandong Gold Group Co., Ltd. before the non-tradable shares reform has not been paid yet.

25. Other Payables

(1) Other accounts payable listed by nature of amount

Item	Year-end balance	Year-opening balance
Margin / deposit	90,670,129.23	76,523,957.06
Technical service fee	9,732,006.92	14,565,666.36
Technology development cost	3,620,005.24	3,657,856.74
Payment for engineering and equipments	177,059,561.05	25,162,577.47
Repairing expense	18,842,286.25	11,175,356.37
Amount collected and paid by agency	178,616,734.54	114,809,270.59
Freight	61,989,309.48	90,440,289.76
Other	95,104,330.31	177,094,010.90
Total	635,634,363.02	513,428,985.25

(2) Other important accounts payable with the account age of more than 1 year

Item	Year-end balance	Reason for not repaying or carrying-over
Shandong Iron and Steel Group Co., Ltd.	17,000,000.00	Funds allocated by Shan Steel (Note)
Jinan Iron and Steel Group Co., Ltd.	5,000,000.00	Amount involved
China Third Metallurgical Group Co., Ltd.	4,483,863.15	Unsettled
Shandong Metallurgical Geological Survey's Hydrologic Survey Co., Ltd.	3,157,078.61	Quality guarantee
Total	29,640,941.76	

Note: According to the LCQZ [2012] No. 125 Notice on issuing the provincial-level budget for state-owned assets and Major technological innovation and industrial capital budget", Shandong Iron and Steel Group has allocated the RMB 17,000,000 of financial fund received to the Company. The Company has made accounting treatment in accordance with CQ [2012] No. 23 "Notice of the Ministry of Finance on printing and issuing the 'Interim provisions on strengthening the management of financial information of enterprises'". This fund was used for top gas recycling oxygen blast furnace iron making technology.

26. Current maturity of non-current liabilities

Item	Year-end balance	Year-opening balance
Current maturity of long-term items (Annotation VI, 28)	1,933,737,811.39	225,600,000.00
Current maturity of long-term payables (Annotation VI, 30)	308,537,227.87	
Total	2,242,275,039.26	225,600,000.00

27. Other circulating liabilities

Item	Year-end balance	Year-opening balance
Deferred income		2,613,277.01
Total		2,613,277.01

Note: The year-opening deferred income is the amortizable asset-related government subsidy due within one year has been fully transferred to non-operating income in the current period.

28. Long-term loan

Item	Year-end balance	Year-opening balance
Guaranteed loan	1,714,347,186.92	2,029,306,799.36
Credit loan	702,800,000.00	703,200,000.00

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Less: Current maturity of long-term items (Annotation VI, 26)	1,933,737,811.39	225,600,000.00
Total	483,409,375.53	2,506,906,799.36

Note: The Company's long-term borrowing rates include UBOR+3.5%, fixed rates of 5.33%, 5.90%, etc.

29. Bonds payable

(1) Bonds payable

Item	Year-end balance	Year-opening balance
Corporate bonds	2,000,000,000.00	2,000,000,000.00
Total	2,000,000,000.00	2,000,000,000.00

(2) Changes in bonds payable (excluding preferred stock, perpetual bond and other financial instruments classified as financial liabilities)

Bond name	Par value (Unit: RMB ten thousand yuan)	Issuance date	Term of bond	Issuance amount (Unit: RMB ten thousand yuan)	Year-openin g balance (Unit: RMB ten thousand yuan)	Issuance of the current year (Unit: RMB ten thousand yuan)	Interest accrued by par value (Unit: RMB ten thousand yuan)	Discount ed or premium amortizat ion	Repayme nt in the current year (Unit: RMB ten thousand yuan)	Year-end balance (RMB ten thousand Yuan)
Corporate bond	200,000.00	2008-3-25	10years	200,000.00	200,000.00		13,100.00			200,000.00
Total	200,000.00			200,000.00	200,000.00		13,100.00			200,000.00

30. Long-term accounts payable

Item	Year-end balance	Year-opening balance
Financing lease of Jigang International Financial Leasing Co., Ltd.	203,535,420.50	
Financing lease of Jigang International Financial Leasing Co., Ltd.	300,727,094.18	
Financing lease of Jigang International Financial Leasing Co., Ltd.	500,676,554.78	
Less: The part due within one year (Annotation VI, 26)	308,537,227.87	
Total	696,401,841.59	

See details in Annotation XI, 5(4) Related leasing.

31. Long-term accrued payroll payable

Item	Year-end balance	Year-opening balance
Termination benefits	49,691,483.98	
Total	49,691,483.98	

Note: See details in Annotation VI, 21 Employee benefits payable, Note (1).

32. Estimated liabilities

Item	Year-opening balance	Year-end balance
Lawsuit	28,000,000.00	24,953,563.40
Total	28,000,000.00	24,953,563.40

Note: See the details of disclosed expected liabilities in Annotation XIII (II) Contingent Events.

33. Deferred income

Item	Year-opening balance	Increase in current year	Decrease in current year	Year-end balance	Reason for formation
Government subsidies	52,023,976.76	12,600,000.00	2,460,000.00	62,163,976.76	Government subsidy funds
Total	52,023,976.76	12,600,000.00	2,460,000.00	62,163,976.76	-

Items related to government subsidies:

Liability item	Year-opening balance	Newly increased subsidy in the current period	Amount included in non-operating income in the current period	Other change	Year-end balance	Asset / income-related
Development and application of efficient reuse technology of waste gas heat of coke oven	1,000,000.00		1,000,000.00			Income-related
Enterprise Independent Innovation Technology Fund allocated by Financial Bureau (submarine pipeline steel)	300,000.00		300,000.00			Income-related
First batch of special funds for the development of industry and information technology in 2014		500,000.00	500,000.00			Income-related
Special funds for the national support program of "12th Five-year Plan"		290,000.00	290,000.00			Income-related
Support funds for manufacturing of special thick plates for major technical equipments		200,000.00	200,000.00			Income-related
Second batch of key industry adjustment & revitalization and technological transformation in 2009	8,828,473.02				8,828,473.02	Asset-related
Demonstration project of energy management center for industrial enterprises in 2009	8,305,304.24				8,305,304.24	Asset-related
Coke oven desulfurization renovation project	7,216,877.64				7,216,877.64	Asset-related
Special funds for treatment and comprehensive utilization of	6,175,000.00				6,175,000.00	Asset-related

coking ammonia wastewater						
Funds for industrial park wastewater treatment and reuse project	5,958,333.34				5,958,333.34	Asset-related
Special funds for environmental protection in 2011	4,139,303.48				4,139,303.48	Asset-related
Special funds for energy saving and emission reduction		4,000,000.00			4,000,000.00	Asset-related
Coke oven gas desulfurization improvement project		3,900,000.00			3,900,000.00	Asset-related
Support funds for upgrade and transformation project of special steel plate continuous casting machine		3,160,000.00			3,160,000.00	Asset-related
Reclaimed water reuse project	3,000,000.00		150,000.00		2,850,000.00	Asset-related
Revitalization and technological transformation of key industries in 2010	2,615,843.86				2,615,843.86	与资产相关
Grants for waste heat heating reconstruction project of energy power plant	1,580,000.00				1,580,000.00	Asset-related
Environmental protection funds for flue gas desulfurization project of 320 sintering machine	1,350,000.00				1,350,000.00	Asset-related
Funds for 400 sintering desulfurization transformation	827,860.70				827,860.70	Asset-related
Special funds for annual energy saving in 2012		550,000.00			550,000.00	Asset-related
Coke oven top loading modified tamping coking project	400,000.00		20,000.00		380,000.00	Asset-related
Special funds for the development of provincial emerging industries and key industries in 2010	326,980.48				326,980.48	Asset-related
Total	52,023,976.76	12,600,000.00	2,460,000.00		62,163,976.76	

34. Equity

Item	Year-opening balance	Increase/decrease (+, -) in this year					Year-end balance
		Issuance of new shares	Allotted share	Share transferred from provident fund	Other	Subtotal	
Total number of	6,436,295,797.00						6,436,295,797.00

shares							
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35. Capital surplus

Item	Year-opening balance	Increase in current year	Decrease in current year	Year-end balance
Capital premium	7,154,356,979.37			7,154,356,979.37
Other capital reserves	510,099,240.04			510,099,240.04
Total	7,664,456,219.41			7,664,456,219.41

36. Specific reserves

Item	Opening amount	Increase in current year	Decrease in current year	Ending amount
Funds for production safety	11,783,348.83	85,558,150.35	83,617,913.51	13,723,585.67
Total	11,783,348.83	85,558,150.35	83,617,913.51	13,723,585.67

Note: According to related provisions of CQ [2012] No. 16 "Management measures on the extraction and use of enterprise safety in production costs" issued by the Ministry of Finance and the National Safety Supervision Administration Bureau, the Company extract the safety production costs by category. The decrease in this year is the related expenditures listed within the use scope of safety production costs stipulated by the Management Measures.

37. Reserved surplus

Item	Year-opening balance	Increase in current year	Decrease in current year	Year-end balance
Statutory surplus reserve	715,200,012.60			715,200,012.60
Total	715,200,012.60			715,200,012.60

38. Undistributed profits

Item	This year	The previous year
Undistributed profit of the previous period before adjustment	-1,818,657,333.80	-1,976,952,161.17
Adjustment in undistributed profit at beginning of year (Increase expressed with "+", decrease expressed with "-")		
Adjusted undistributed profit at the beginning of the year	-1,818,657,333.80	-1,976,952,161.17
Ass: Net profits attributable to shareholders of the parent company of the current year	-1,398,414,314.77	158,294,827.37
Less: Withdrawal of legal surplus reserve		
Withdrawal of discretionary surplus reserve		
Withdrawal of general risk preparation		
General dividends payable		
General dividend transferred to equity		
Undistributed profit at the end of the year	-3,217,071,648.57	-1,818,657,333.80

39. Operating income and operating cost

Item	The amount incurred in current year		The amount incurred in the previous year	
	Income	Cost	Income	Cost
Main business	47,823,640,548.36	45,723,924,751.58	61,839,861,425.03	58,943,534,519.33

Other business	4,041,576,817.92	4,013,869,236.34	8,629,935,984.62	8,055,112,583.74
Total	51,865,217,366.28	49,737,793,987.92	70,469,797,409.65	66,998,647,103.07

40. Business taxes and surcharges

Item	The amount incurred in current year	The amount incurred in the previous year
Sales tax	1,004,125.96	6,812,384.49
Urban maintenance and construction tax	76,596,086.73	83,864,315.99
Educational surtax and local educational surtax	55,150,020.40	59,891,494.30
Other	10,889,000.29	12,322,363.47
Total	143,639,233.38	162,890,558.25

Note: For the charging standard of various business taxes and surcharges, see Annotation V. Taxes.

41. Sales cost

Item	The amount incurred in current year	The amount incurred in the previous year
Employee remuneration	36,694,766.54	38,749,021.28
Office expense	5,012,324.13	2,046,334.58
Depreciation cost	971,001.77	1,065,923.15
Freight incidental expenses	137,383,878.54	112,586,010.26
Business entertainment expense	2,496,929.61	2,739,931.25
Export expense	68,659,818.11	47,474,381.04
Weighing fee	3,340,454.18	3,533,740.06
Maintenance cost	421,655.03	664,427.56
Lifting costs	337,607.96	399,724.29
Taxes	75,918.12	75,918.12
Other	10,563,649.75	7,274,032.53
Total	265,958,003.74	216,609,444.12

42. Management expenses

Item	The amount incurred in current year	The amount incurred in the previous year
Employee remuneration	512,008,364.66	300,685,913.27
Depreciation cost	11,364,114.25	15,032,042.91
Repairing expense	922,779,583.97	967,347,286.88
Amortization of intangible assets	3,609,146.18	3,588,380.19
Entertainment expenses	11,401,724.54	19,643,025.79
Taxes	72,514,824.64	76,583,652.76
Rental fee	155,166,071.15	137,659,374.69
R & D expenses	64,381,436.06	50,145,526.98
Office, public expenses, etc.	302,063,953.91	325,736,870.37
Total	2,055,289,219.36	1,896,422,073.84

43. Financial Expenses

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Item	The amount incurred in current year	The amount incurred in the previous year
Interest expense	867,207,337.15	1,038,591,903.48
Less: Interest income	25,658,263.08	31,248,142.83
Net loss of exchange (Less: exchange gains)	-19,996,893.75	-248,911,612.57
Apportionment of unrecognized finance charge	17,013,140.60	43,684,034.03
Discount interest expense	93,855,204.62	94,584,181.53
Other	6,357,478.60	41,372,878.37
Total	938,778,004.14	938,073,242.01

44. Impairment Loss on Assets

Item	The amount incurred in current year	The amount incurred in the previous year
Bad debt losses	13,353,856.78	38,750,073.88
Inventory devalue losses	73,433,396.31	159,687,190.57
Impairment losses on fixed assets		32,400,000.00
Total	86,787,253.09	230,837,264.45

45. Income from changes in fair value

Sources of income generated from changes in fair value	The amount incurred in current year	The amount incurred in the previous year
Financial assets measured by fair value and whose changes should be put into current profit and loss		-27,143,440.15
Incl.: Profit from changes in fair value of derivative financial instruments		
Financial liabilities measured by fair value and the changes should be put into current profit and loss		
Total		-27,143,440.15

46. Investment Income

Item	The amount incurred in current year	The amount incurred in the previous year
Investment income incurred from the long-term equity investment calculated according to the equity method	1,748,417.74	1,694,907.68
Investment income incurred from disposal of long-term equity investment		275,810,180.14
Investment income of financial assets measured by fair value and whose changes should be put into current profit and loss in the holding period		2,017,052.89
Investment income of disposal of financial assets measured by fair value and whose changes should be put into current profit and loss in the holding period	-88,326.24	476,239.74
Profit from the disposal of available-for-sale financial assets	1,169,022.52	
Total	2,829,114.02	279,998,380.45

47. Non-operating income

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Item	The amount incurred in current year	The amount incurred in the previous year	Amount recognized in the current non-recurring gains and losses
Total profit from dealing with non-current assets	2,303,814.10	23,544,944.20	2,303,814.10
Incl.: Profit from dealing with fixed assets	2,303,814.10	23,544,944.20	2,303,814.10
Government subsidy See details in the following table "List of government subsidies"	7,800,277.01	11,133,533.46	7,800,277.01
Income from the compensation for breach of contract	32,471.72	4,507.65	32,471.72
Other gains	4,979,225.21	144,426.57	4,979,225.21
Total	15,115,788.04	34,827,411.88	15,115,788.04

Among them, government grants are included in the profit or loss:

Subsidy item	The amount incurred in current year	The amount incurred in the previous year	Asset / income-related
Deferred income	2,783,277.01	2,513,515.46	Asset-related
Development and application of efficient reuse technology of waste gas heat of coke oven	1,000,000.00		Income-related
Government's regional economic incentives	890,000.00	1,120,000.00	Income-related
First batch of special funds for the development of industry and information technology in 2014	500,000.00		Income-related
Safe production funds allocated by Financial Bureau of Licheng District in Ji'nan City	500,000.00		Income-related
Assessment award granted to water user units by Ji'nan Municipal Water Conservancy Bureau	500,000.00		Income-related
Mention award for municipal key projects	500,000.00	445,200.00	Income-related
Subsidy for submarine pipeline steel	300,000.00		Income-related
Special funds for the national support program of "12th Five-year Plan"	290,000.00		Income-related
Development and application of steel used for E420 offshore platform	250,000.00		Income-related
Government subsidy for manufacturing of special thick plates for major technical equipments	200,000.00		Income-related
Tax refund of Financial Department of Xuejiadao	57,000.00	204,000.00	Income-related
Safe clean production funds allocated by Financial Bureau of Licheng District in Ji'nan City	30,000.00		Income-related
Special security funds		200,000.00	Income-related
Patent Development Fund		20,000.00	Income-related
R & D funds of Shandong Hui Min Technology Development Co., Ltd.		150,000.00	Income-related

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Special funds for national support program		150,000.00	Income-related
Award for the development of industrial enterprises allocated by the Financial Department		50,000.00	Income-related
Vocational training subsidies for enterprise staff		67,654.00	Income-related
Guiding capital for municipal foreign trade and economic development		403,000.00	Income-related
Guiding capital for foreign trade development received from Commercial Bureau in 2012		103,600.00	Income-related
Annual export credit insurance subsidy in 2013 (9.12)		136,064.00	Income-related
Guiding capital for municipal foreign trade and economic development in 2013		285,000.00	Income-related
"Two-increase and one-protection" support funds for foreign trade		4,985,500.00	Income-related
Financial rebate		300,000.00	Income-related
Total	7,800,277.01	11,133,533.46	

48. Non-operating expenses

Item	The amount incurred in current year	The amount incurred in the previous year	Amount recognized in the current non-recurring gains and losses
Total loss on dealing with non-current assets	15,582,453.50	26,094,088.79	15,582,453.50
Incl.: Loss on dealing with non-current assets	15,582,453.50	26,094,088.79	15,582,453.50
Expense of donations	14,300.00	10,400.00	14,300.00
Penalty	2,494,672.22	109,346.85	2,494,672.22
Estimated pending litigation loss		28,000,000.00	
Compensation, liquidated damages and fines	7,043,474.96	39,588,127.65	7,043,474.96
Late fee	1,093.29		1,093.29
Other expenses	5,490,614.30	1,722,911.01	5,490,614.30
Total	30,626,608.27	95,524,874.30	30,626,608.27

49. Income tax expenses

(1) Table of income tax expenses

Item	The amount incurred in current year	The amount incurred in the previous year
Income tax of the current year	13,204,085.81	48,846,480.92
Deferred income tax expense	4,660,097.96	5,790,561.44
Total	17,864,183.77	54,637,042.36

(2) The adjustment of accounting profit and income tax expense

Item	The amount incurred in current year
Total profits	-1,375,710,041.56

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The income tax calculated according to the statutory (or applicable) tax rate	-343,927,510.39
Impact caused by applying different tax rates to subsidiaries	
Impact of income tax during the period before adjustment	-117,159.00
Impact of non-taxable income	
Impact of non-deductible cost, expense and loss	50,161,350.07
Impact of deductible loss of the deferred income tax assets unrecognized before use at the end of period	-1,017,495.35
Impact of deductible temporary difference or deductible loss of the deferred income tax assets unrecognized at the end of period	312,758,955.94
Changes in balance of deferred income tax assets / liabilities at the beginning of the period caused by tax rate adjustment	
Other	6,042.50
Income tax expense	17,864,183.77

50. Items in the Cash Flow Statement

(1) Cash from other related operating activities

Item	The amount incurred in current year	The amount incurred in the previous year
Interest income	23,863,510.51	26,608,405.02
Retirement pay received from the department of insurance	250,960,864.64	201,042,426.10
Financial subsidies and export compensation	10,235,800.00	19,115,318.00
Agency fee of handling stamp duty		21,366,319.44
Security risk mortgage and quality assurance, etc.	1,041,993.11	1,347,833.74
Other	13,319,418.68	9,860,857.85
Total	299,421,586.94	279,341,160.15

(2) Cash paid for other related operating activities

Item	The amount incurred in current year	The amount incurred in the previous year
Bank charges	3,698,559.39	46,497,284.00
Reserve fund and working capital	136,574.40	30,487,839.52
Travel expense	4,534,362.91	5,134,067.10
Opening charge payment		19,912,949.62
Retired worker wages	433,675,122.05	308,524,690.51
Stamp duty paid as an agency	401,340.28	23,367,713.36
Other expenses of management	51,663,532.75	76,266,823.71
Discount interest expense	93,855,204.62	94,584,181.53
Notes margin	209,401,391.64	118,387,568.40
Total	797,366,088.04	723,163,117.75

(3) Other Cash Received Relating to Financing Activities

Item	The amount incurred in current year	The amount incurred in the previous year

Margin for recovering notes	3,840,000.00	
Sales-leaseback financing lease	1,001,890,000.00	
Total	1,005,730,000.00	

(4) Cash related to other capital raising activity

Item	The amount incurred in current year	The amount incurred in the previous year
Sales-leaseback financing costs	16,153,978.84	
Payment for acquiring Group's assets paid by installments		865,059,080.00
Total	16,153,978.84	865,059,080.00

51. Supplementary materials of Cash Flow Statement

(1) Supplementary materials of Cash Flow Statement

Supplementary information	Amount of this year	Amount of last year
I. Adjust net profit to cash flow occurred in operating		
Net profit	-1,393,574,225.33	163,838,159.43
Add: Impairment reserves of assets	86,787,253.09	230,837,264.45
Depreciation of fixed assets, consumption of oil-and-gas assets, and depreciation of productive biological assets	1,818,288,281.03	2,018,432,546.49
Amortization of intangible assets	3,657,312.71	3,877,380.27
Amortization of long-term deferred expenses	191,920.71	242,550.12
Loss on disposing fixed assets, intangible assets and other long-term assets (Income expressed with "-")	13,278,639.40	2,549,144.59
Loss of abandoned fixed assets (Income expressed with "-")		
Loss on changes in fair value (Income expressed with "-")		27,143,440.15
Financial expenses (Income expressed with "-")	879,796,429.04	884,020,176.65
Investment losses (Profits expressed with "-")	-2,829,114.02	-279,998,380.45
Decrease in deferred income tax assets (Income expressed with "-")	4,660,097.96	16,695,192.94
Increase in deferred income tax liabilities (Decrease expressed with "-")		-10,904,631.50
Decrease of stock (Increase expressed with "-")	2,430,137,555.73	-1,023,254,293.83
Decrease of operating receivable (Increase expressed with "-")	1,192,408,350.77	-6,557,160,565.33
Increase of operating receivable (Decrease expressed with "-")	-6,287,853,094.81	7,705,194,246.50
Other		
Subtotal of cash outflows from operating activities	-1,255,050,593.72	3,181,512,230.48
II. Significant investment and raising capital not involving cash flow		
Debt transferred to capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		
III. Net changes in cash and cash equivalent		
Cash balance at the end of the period	1,747,233,499.26	1,855,770,723.04
Less: Balance of cash at the beginning of the period	1,855,770,723.04	2,728,374,991.05

Add: Balance of cash equivalents at the end of the period		61,479,856.93
Less: Balance of cash equivalents at the beginning of period	61,479,856.93	
Net increase of cash and cash equivalents	-170,017,080.71	-811,124,411.08

(2) The compositions of cash and cash equivalents

Item	Year-end balance	Year-opening balance
I. Cash	1,747,233,499.26	1,855,770,723.04
Incl.: Cash on hand	1,333,853.18	1,040,669.50
Bank deposit available for payment at any time	1,745,899,646.08	1,854,730,053.54
Other monetary capital available for payment at any time		
Balances with central banks available for the payment		
Due from banks		
Placements with banks		
II. Cash equivalent		61,479,856.93
Incl.: Bond investment due within 3 months		
III. Balance of cash and cash equivalents at the end of the year	1,747,233,499.26	1,917,250,579.97
Incl.: Restricted cash and cash equivalents used by the parent company and the subsidiaries of the Group		

Note: Cash and cash equivalents do not include the restricted cash and cash equivalents used by the parent company and subsidiaries within the Group

52. Assets with restricted ownership or use right

Item	Year-ending book value	Reason for restriction
Monetary funds	469,450,831.73	Margin for notes, guarantees, etc.
Accounts receivable	226,671,788.24	Pledge of factoring financing accounts receivable
Total	696,122,619.97	

53. Foreign currency monetary items

Item	Year-end foreign currency balance	Exchange rate	Year-end converted RMB balance
Monetary funds			
Incl.: USD	3,699,470.09	6.1190	22,637,057.48
EUR	18,434.70	7.4556	137,441.75
Short-term loans			
Incl.: USD	45,638,554.36	6.1190	279,262,314.13
Accounts payable			
Incl.: USD	8,284,375.97	6.1190	50,692,096.56
Other non-current liabilities due within one year			
Incl.: USD	73,237,099.43	6.1190	448,137,811.41
Long-term loans			
Incl.: USD	6,571,233.13	6.1190	40,209,375.52

VII. Change in the range of combination

The Company has no change of merger range at the end of period.

VIII. Equity in other subjects

1. Equity in subsidiaries

(1) Composition of enterprise groups

Subsidiary Name	Main business premise	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Heze Jigang Economic and Trade Co., Ltd.	Heze City	Heze City	Sale of Products:	55.00		Investment
Shanghai Jigang Economic and Trade Co., Ltd.	Shanghai City	Shanghai City	Sale of Products:	51.00		Investment
Nanjing Jigang Economic and Trade Co., Ltd.	Nanjing City	Nanjing City	Sale of Products:	100.00		Establishment
Wuxi Jigang Economic and Trade Co., Ltd.	Wuxi City	Wuxi City	Sale of Products:	100.00		Establishment
Xi'an Jigang Economic and Trade Co., Ltd.	Xi'an City	Xi'an City	Sale of Products:	100.00		Establishment
Tianjin Jigang Economic and Trade Co., Ltd.	Tianjin City	Tianjin City	Sale of Products:	100.00		Establishment
Hangzhou Jigang Industrial Co., Ltd.	Hangzhou City	Hangzhou City	Sale of Products:	100.00		Establishment
Qingdao Jigang Economic and Trade Co., Ltd.	Qingdao City	Qingdao City	Sale of Products:	100.00		Establishment
Laigang Wuxi Economic and Trade Co., Ltd.	Wuxi City	Wuxi City	Sale of Products:	100.00		Establishment
Qingdao (Guangdong) Economic and Trade Co., Ltd.	Foshan City	Foshan City	Sale of Products:	95.16		Investment
Laiwu Steel Shanghai Economic and Trade Co., Ltd.	Shanghai City	Shanghai City	Sale of Products:	90.00		Investment
Laigang Metallurgy Ecological Engineering Technology Co., Ltd.	Laiwu City	Laiwu City	Engineering construction	51.00		Investment
Laiwu Lida Logistics Co., Ltd.,	Laiwu City	Laiwu City	Sale of Products:	70.09		Business Combinations under the Same Control
Qingdao Laiwu Steel Economic and Trade Co., Ltd.	Qingdao City	Qingdao City	Sale of Products:	100.00		Business Combinations under the Same Control
Shandong Laigang Huanyou Chemical Energy Co., Ltd.	Laiwu City	Laiwu City	Industrial processing	100.00		Business Combinations under the Same Control
Jigang Baode Gas Co., Ltd.	Ji'nan City	Ji'nan City	Industrial	100.00		Business

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			processing			Combinations under the Same Control
Laiwu Tianyuan Gas Co., Ltd.	Laiwu City	Laiwu City	Industrial processing	100.00		Business Combinations under the Same Control
Laiwu Iron and Steel Group Electronics Co., Ltd.	Laiwu City	Laiwu City	Service trade	100.00		Business Combinations under the Same Control

(2) Important non-wholly-owned subsidiaries

Subsidiary Name	Shareholding ratio of minority shareholders (%)	Profit and loss attributable to minority shareholders in the current period	Dividends allocated to minority shareholders in the current period	Equity balance of minority shareholders at the end of period
Shanghai Jigang Economic and Trade Co., Ltd.	49.00	4,209,170.69	2,940,000.00	31,487,699.34
Qingdao (Guangdong) Economic and Trade Co., Ltd.	4.84	89,122.00		3,328,569.50
Laiwu Lida Logistics Co., Ltd.,	29.91	822,120.46		9,135,144.60

(3) The main financial information of important non-wholly-owned subsidiaries

Subsidiary Name	Year-end balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai Jigang Economic and Trade Co., Ltd.	98,583,619.07	4,114,260.91	102,697,879.98	38,437,269.08		38,437,269.08
Qingdao (Guangdong) Economic and Trade Co., Ltd.	70,355,116.98	1,071,380.29	71,426,497.27	2,654,400.20		2,654,400.20
Laiwu Lida Logistics Co., Ltd.,	36,189,911.34	6,564,455.41	42,754,366.75	12,212,258.44		12,212,258.44

(Continued)

Subsidiary Name	Year-opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Shanghai Jigang Economic and Trade Co., Ltd.	147,946,964.52	907,393.43	148,854,357.95	87,183,891.31		87,183,891.31
Qingdao (Guangdong) Economic and Trade Co., Ltd.	67,211,842.59	894,566.51	68,106,409.10	1,175,675.68		1,175,675.68

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Laiwu Lida Logistics Co., Ltd.,	39,348,889.39	6,837,406.52	46,186,295.91	18,392,835.07		18,392,835.07
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Subsidiary Name	The amount incurred in current year			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shanghai Jigang Economic and Trade Co., Ltd.	949,262,488.79	8,590,144.26	8,590,144.26	3,180,430.16
Qingdao (Guangdong) Economic and Trade Co., Ltd.	241,847,072.03	1,841,363.65	1,841,363.65	-3,515,857.14
Laiwu Lida Logistics Co., Ltd.,	738,629,749.70	2,748,647.47	2,748,647.47	3,842,095.91

(Continued)

Subsidiary Name	The amount incurred in the previous year			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Shanghai Jigang Economic and Trade Co., Ltd.	907,738,648.20	7,732,982.34	7,732,982.34	20,412,132.26
Qingdao (Guangdong) Economic and Trade Co., Ltd.	326,172,939.04	2,042,903.45	2,042,903.45	-9,109,366.61
Laiwu Lida Logistics Co., Ltd.,	820,682,910.69	2,575,950.26	2,575,950.26	-43,229.60

2. Equities in joint ventures or associated enterprises**(1) Important joint ventures and associated enterprises**

Name of joint venture or associated enterprise	Main business premise	Place of registration	Nature of business	Shareholding ratio (%)		Percentage of voting right (%)	Accounting treatment method for investment in joint ventures and associated enterprises
				Direct	Indirect		
Bisalloy Jigang (Shandong) Steel Plate Co., Ltd.	Ji'nan City	Ji'nan City	Production and sales of steel	66.67		50.00	Equity method

Note: July 7, 2011, the Company has signed an agreement with Australia Bisalloy Steel Group Limited to establish the joint venture, Bisalloy Jigang (Shandong) Steel Plate Co., Ltd., which has the registered capital of 3,000,000 USD, in which, 2,000,000 USD was contributed by the Company and 1,000,000 USD was contributed by Bisalloy Steel Group Limited. The term of cooperation between both parties is 10 years. According to the company's Article of Association, it is required that both parties shall jointly be responsible for the company's liabilities with its amount of contribution; the profit distribution shall be made to both parties on the 5:5 ratio; and the risk and loss shall be born by both parties on the 5:5 ratio. The company shall be responsible for its liabilities or obligation in the joint arrangement established by independent subject; all participators shall enjoy the net profit and loss generated in the joint arrangement according to the agreed ratio, which shall be in line with the judgment of joint venture.

(2) Main financial information of key joint ventures

Item	Year-end balance/Amount of the current period	Year-beginning balance/Amount of the previous period)
	Bisalloy Jigang (Shandong) Steel Plate Co., Ltd.	Bisalloy Jigang (Shandong) Steel Plate Co., Ltd.
Current assets	26,984,823.34	23,773,823.41
Incl.: Cash and cash equivalents	14,314,023.37	16,862,393.89
Non-current assets	524,235.83	652,093.95
Total assets	27,509,059.17	24,425,917.36
Current liabilities	3,419,723.85	817,248.24
Non-current liabilities		
Total liabilities	3,419,723.85	817,248.24
Minority interests		
Shareholders' equity attributable to the parent company	24,089,335.32	23,608,669.12
Share of net assets calculated according to the shareholding proportion	16,059,556.88	15,739,112.75
Adjustment items	-984,006.36	-883,752.97
-Goodwill		
-Unrealized profits from internal transactions	-20,142.36	-24,436.67
-Others	-963,864.00	-859,316.30
Book value of equity investment in associated enterprises	15,075,550.52	14,855,359.78
Fair value of equity investment with publicly offered book value of associated enterprise's equity investment		
Operating income	42,482,544.62	24,187,104.87
Financial expenses	-388,943.61	-138,591.66
Income tax expense	1,257,623.35	1,279,830.32
Net profit	3,537,120.20	3,444,175.56
Other comprehensive income		
Total comprehensive income	3,537,120.20	3,444,175.56
Dividends received from joint venture in the current period	1,528,227.00	2,759,490.00

3. The Company has no structured subject not included in the scope of consolidated financial statements.

4. In the reporting period, there is no transaction with changes in the owner's share of equity in the subsidiary and with control over the company.

IX. Risks related with financial instruments

The Company's major financial instruments include equity investments, loans, accounts

receivable and other receivables, accounts payable, other payable and bank deposits; see the details of various financial instruments in related items in Annotation VI. The Company's management shall manage and monitor such risk exposures, in order to control them within a limited range.

(I) The Company's engagement in risk management is to seek the appropriate balance between risk and return, to minimize the adverse impact of financial risk on the Company's financial performance and to maximize the interest of shareholders and other equity investors. Based on such risk management objective, the Company's basic strategies is to determine and analyze various risks faced by the Company, establish suitable risk tolerance and carry out risk management, timely and reliably supervise risks and control the risks within a defined scope.

1. Market risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risk of loss caused by exchange rate fluctuations. The foreign exchange risks suffered by the Company are mainly related with the USD borrowings and bank deposits, as well as the USD clearing business; The Company's main business is mainly settled in RMB. December 31, 2014, in addition to the following assets and liabilities stated in USD and euro, the Company's assets and liabilities are stated in RMB. The Company pays close attention to the impact of exchange rate changes on the company's foreign exchange risk. The company has not taken measures to avoid foreign exchange risks.

RMB yuan

Item	Ending amount	Opening amount
Cash and cash equivalents	22,774,499.23	26,829,964.46
Accounts payable	50,692,096.56	10,315,116.11
Short-term loans	279,262,314.13	127,867,412.61
Long-term loans due within one year	448,137,811.41	
Long-term loans	40,209,375.52	577,706,799.36

(2) Interest rate risk -- Cash flow fluctuation risk

The Company's cash flow fluctuation risk of financial instruments caused by changes in interest rate is mainly related with the bank borrowings with floating interest rate (see details in Annotation VI, 28 Long-term borrowing. The Company's policy is to maintain the floating rate of such borrowings.

The proportion of such borrowings to the total amount of interest bearing debts is not significant, thus the Company believes that the interest rate risk exposure faced by the Company is not significant; the Company currently has no interest rate hedging policy.

(3) Other price risk

According to the provisions of new standards, the Company has financial assets available for sale transferred from long-term equity investment. As such equity investment has no offer in active market and its fair value can not be reliably measured, the Company has no risk of changed in fair value if cost method is adopted for accounting.

2. Credit risk

December 31, 2014, the largest credit exposure that may cause financial loss to the Company is the loss of the financial assets due to the other party's failing to perform its obligations.

In order to reduce the credit risk, the Company controls the credit limits, makes credit approval and implements other monitoring procedures to ensure taking necessary measures to

recover the expired claims. The Company has made enough provisions for bad debt on each balance sheet date according to the accounts receivable. The Company's Management believes that the credit risk born has been greatly reduced. The risk points of the Company's accounts receivable are distributed on several customers. The Company has no significant credit risk.

In addition, the Company's working capital shall be deposited at banks with a higher credit rating, thus the credit risk of working capital is relatively low. As of December 31, 2014, the financial assets with individual impairment are as follows: (see details in Annotation VI, 3, Accounts receivable and Annotation VI, 5, Other receivables)

Item	Ending amount			Opening amount		
	Original price	Impairment reserves	Net value	Original price	Impairment reserves	Net value
Accounts receivable	7,411,736.38	7,411,736.38		7,411,736.38	7,411,736.38	
Other receivables	243,280,575.85	243,280,575.85		254,507,895.55	246,170,121.95	8,337,773.60

3. Liquidity risk

When managing the liquidity risk, the Company has maintained the cash and cash equivalents enough in the opinion of the Management and implemented monitoring on them, so as to meet the Company's operation demand and reduce the impact of cash flow fluctuations. The Company's Management shall monitor the use of bank borrowings and ensure the compliance with the borrowing agreement. The Company takes the bank borrowings as the main sources of funds. The Company's financial liabilities held are as follows if analyzed according to the due period of the non-discounted residual contract obligation:

Item	Within 1 year	1-5 years	Over 5 years
Short-term loans	13,306,070,473.22		
Notes payable	1,221,950,000.00		
Long-term loans	1,933,737,811.39	483,409,375.53	
Bonds payable		2,000,000,000.00	
Accounts payable	11,884,872,085.33	207,616,449.46	
Other payables	538,699,819.44	96,934,543.58	
Long-term accounts payable	308,537,227.87	696,401,841.59	

X. Disclosure of fair value

The Company has no financial asset and financial liability measured at the fair value at the end of period.

XI. Related parties and their transaction

1. The Company's parent company;

Name of parent company	Place of registration	Nature of business	Registered capital (Unit: RMB 10,000)	Ownership percentage of the Company's shares held by parent company (%)	Ownership percentage of the Company's voting right held by parent company (%)
Shandong Iron and Steel Group Co., Ltd.	Ji'nan City	Smelting, processing,	1,045,000.00	76.35	76.35

		manufacturing and sales of iron and steel			
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Note: The Company's ultimate controller is State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government.

2. The Company's subsidiaries

See details in Annotation VIII, 1: Rights and interests in subsidiary company.

3. Situation of the Company's joint ventures and associated companies

See details about the Company's important joint ventures and associated enterprises in Annotation VIII, 2: Rights and interests in joint arrangement or associated enterprise.

4. Other related party

Name of related party	Relationship with the Company
Jinan Iron and Steel Group Co., Ltd.	Under the same control of Shan Steel
Laiwu Iron and Steel Group Co., Ltd.	Under the same control of Shan Steel
Shandong Jinling Iron Mine	Under the same control of Shan Steel
Shandong Refractories Group Co., Ltd.	Under the same control of Shan Steel
Jigang Group International Engineering Technology Co., Ltd.	Under the same control of Shan Steel
Jinan Steel International Trade Co. Ltd.	Under the same control of Shan Steel
Jigang Group Shandong Construction Engineering Co., Ltd.	Under the same control of Shan Steel
Jigang Group Commercial Trading Co., Ltd.	Under the same control of Shan Steel
Jinan Steel Heavy Machinery Co., Ltd.	Under the same control of Shan Steel
Jinan Steel Hong Kong Holdings Limited	Under the same control of Shan Steel
Jinan Baode Real Estate Development Co., Ltd.	Under the same control of Shan Steel
Jinan Baode Steel Construction Co., Ltd.	Under the same control of Shan Steel
Jigang Baode Furnace Charge Co., Ltd.	Under the same control of Shan Steel
Jinan Baode Motor Transport Co., Ltd.	Under the same control of Shan Steel
Jinan Baode Metallurgical limestone Co., Ltd.	Under the same control of Shan Steel
Jinan Steel City Mining Co.,Ltd.	Under the same control of Shan Steel
Jigang Group Refractories Co., Ltd.	Under the same control of Shan Steel
Heze Hardware Factory, Ji'nan Iron and Steel Group Corporation	Under the same control of Shan Steel
Jinan Yellow River Blasting Engineering Co., Ltd.	Under the same control of Shan Steel
Ji'nan Jigang Iron Alloy Factory	Under the same control of Shan Steel
Ji'nan Luxin New Building Materials Co., Ltd.	Under the same control of Shan Steel
Ji'nan Saab Special Automobile Co., Ltd.	Under the same control of Shan Steel
Laigang Group Mine Construction Co., Ltd.	Under the same control of Shan Steel
Laigang Group Machinery Manufacturing Co., Ltd.	Under the same control of Shan Steel
Laigang Group Jinding Industrial Co., Ltd.	Under the same control of Shan Steel
Laigang Group Laiwu Mining Co., Ltd.	Under the same control of Shan Steel
Laigang Group Lunan Mining Co., Ltd.	Under the same control of Shan Steel
Laigang Group Thaitong Industrial Co., Ltd.	Under the same control of Shan Steel

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Laigang Group Xintai Copper Industrial Co., Ltd.	Under the same control of Shan Steel
Laigang Group Yinshan Section Steel Co., Ltd.	Under the same control of Shan Steel
Laigang Group Zibo Anchor Chain Co., Ltd.	Under the same control of Shan Steel
Luyin Investment Group Co., Ltd.	Under the same control of Shan Steel
Qingdao Free Trade Zone Jigang International Logistics Co., Ltd.	Under the same control of Shan Steel
Shandong Baode Metal Composite Plates Co., Ltd.	Under the same control of Shan Steel
Shandong Baode FlatBar Co., Ltd.	Under the same control of Shan Steel
Shandong Iron and Steel Group International Trade Co., Ltd.	Under the same control of Shan Steel
Shandong Iron and Steel Group (Rizhao) Co., Ltd.	Under the same control of Shan Steel
Shandong Iron and Steel Group Zibo Zhanggang Co., Ltd.	Under the same control of Shan Steel
Shandong Vocational College of Industry	Under the same control of Shan Steel
Shandong Jinling Mining Co., Ltd.	Under the same control of Shan Steel
Shandong Laiwu Steel International Corp.	Under the same control of Shan Steel
Shandong Laiwu Steel Construction Co., Ltd.	Under the same control of Shan Steel
Shandong Laigang Motor Transport Co., Ltd.	Under the same control of Shan Steel
Shandong Lubi Building Materials Co., Ltd.	Under the same control of Shan Steel
Shandong Ductile Iron Pipes Co., Ltd.	Under the same control of Shan Steel
Shandong Rongxin Investment Co., Ltd.	Under the same control of Shan Steel
Shandong Xinli Metallurgical Industrial Co., Ltd.	Under the same control of Shan Steel
Shandong Metallurgical Geological Survey's Hydrologic Survey Co., Ltd.	Under the same control of Shan Steel
Shandong Metallurgical Research Institute	Under the same control of Shan Steel
Shan Steel Laigang Xinjiang Co., Ltd.	Under the same control of Shan Steel
Dalian Jilian Metallurgical Machinery Equipment Co., Ltd.	Under the same control of Shan Steel
Jigang Group Yantai Standard Parts Co., Ltd.	Under the same control of Shan Steel
Jigang Singapore Pte Ltd.	Under the same control of Shan Steel
Ji'nan Desheng Property Management Co., Ltd.	Under the same control of Shan Steel
Ji'nan Second Car Modification Factory	Under the same control of Shan Steel
Xingda Company, Refractory Material Factory, Ji'nan Iron and Steel Group Corporation	Under the same control of Shan Steel
Ji'nan Huaruiyuan Decoration Engineering Co., Ltd.	Under the same control of Shan Steel
Ji'nan Ji'nai Industry and Trade Co., Ltd.	Under the same control of Shan Steel
Ji'nan Fire Equipment Factory	Under the same control of Shan Steel
Laigang Group Blue Sky Business Vehicle Industry Co., Ltd.	Under the same control of Shan Steel
Laiwu Iron and Steel Huawei Engineering Co., Ltd.	Under the same control of Shan Steel
Laiwu Iron and Steel Group Powder Metallurgy Co., Ltd.	Under the same control of Shan Steel
Laigang Group Zhengzhou Economic and Trade Co.,	Under the same control of Shan Steel

Ltd.	
Laiwu Iron and Steel Xinxing Liquid Gas Co., Ltd.	Under the same control of Shan Steel
Laiwu Hujiacquan Natural Mineral Water Co., Ltd.	Under the same control of Shan Steel
Laigang Group Jinding Roll Co., Ltd.	Under the same control of Shan Steel
Qingdao Xinlai Weiye Economy and Trade Co., Ltd.	Under the same control of Shan Steel
Shandong Baode Coal Co., Ltd.	Under the same control of Shan Steel
Shandong Jigang Akeli Chemical Co., Ltd.	Under the same control of Shan Steel
Shandong Laigang Yongfeng Steel Co., Ltd.	Under the same control of Shan Steel
Shandong Luye Ruibao Electric Automation Co., Ltd.	Under the same control of Shan Steel
Shandong Luzhong Steel Logistics Co., Ltd.	Under the same control of Shan Steel
Shandong Metallurgical Materials Co., Ltd.	Under the same control of Shan Steel
Shan Steel Group Economic and Trade Co., Ltd.	Under the same control of Shan Steel
Weifang Jigang Ganglian Steel Processing and Distribution Co., Ltd.	Under the same control of Shan Steel
Xinjiang Taidong New Building Materials Co., Ltd.	Under the same control of Shan Steel
Zibo Tieying Iron and Steel Co., Ltd.	Under the same control of Shan Steel
Zibo Zhanggang Iron and Steel Co., Ltd.	Under the same control of Shan Steel
Zibo Zhanggang Iron and Steel Pipes Co., Ltd.	Under the same control of Shan Steel
Dezhou Jigang Longma Steel Processing and Distribution Co., Ltd.	Other enterprise significantly affected by the parent company
Dingtao Jigang Steel Sales Co., Ltd.	Other enterprise significantly affected by the parent company
Production Service Company, Ji'nan Iron and Steel Group Corp.	Other enterprise significantly affected by the parent company
Weihai Jigang Qiyue Ship Materials Co., Ltd.	Other enterprise significantly affected by the parent company

5. Related transactions

(1) According to the *Purchase and Sale Agreement, Service Agreement, Lease Agreement, Agreement on Providing Power Services* signed between the Company and related parties, the prices of raw materials and auxiliary materials provided to the Company by the related parties, the prices of raw materials and auxiliary materials, products sold by the Company to the related parties and the prices of services provided by the Company to the related parties shall be determined according to the following principle: in case of prices determined by the State, such prices shall be implemented; in case of no price determined by the State, the prices shall be determined according to the market price; in case of no market price, the prices shall be determined according to the agreed prices.

① Price determined by the state, including the national price standard and industry price standard, for example, the staff training fee shall be the price determined by the state; the power generation, power supply, etc. shall adopt the industry prices.

② Market price is the price and rate of products and labor services determined according to the independent third-party price and charge standard based on market.

③ Bid winning price: For some equipment production, maintenance services, the bid winning

price shall be adopted as the price of raw materials with supply exceeding demand.

④ Agreed price: When there is no exact market price of the goods or services, the transaction price shall be determined by both parties through negotiation; the price agreed by both parties shall not be higher or lower to the price of provided similar products to other third party.

⑤ Fixed price, prices of some labors (such as: the relevant person providing integrated logistics services) shall be the fixed price jointly determined by both parties. The fixed price shall be implemented.

(2) Related transactions concerning purchasing goods / receiving and providing services

① Procurement of goods / provision of services

Related party	Content of related transaction	The amount incurred in current period (RMB ten thousand yuan)	The amount incurred in current period (RMB ten thousand yuan)
Laigang Group Machinery Manufacturing Co., Ltd.	Auxiliary materials and spare parts	2,271.72	3,829.89
Laigang Group Jinding Industrial Co., Ltd.	Raw and auxiliary materials	3,749.29	5,145.50
Laigang Group Mine Construction Co., Ltd.	Raw and auxiliary materials	24,062.36	34,917.29
Laigang Group Laiwu Mining Co., Ltd.	Raw and auxiliary materials	50,784.75	71,218.60
Laigang Group Blue Sky Business Vehicle Industry Co., Ltd.	Spare parts and other auxiliary materials	2,245.98	2,106.69
Laigang Group Blue Sky Business Vehicle Industry Co., Ltd.	Processing and maintenance services	3,904.05	3,374.34
Laigang Group Lunan Mining Co., Ltd.	Raw and auxiliary materials	41,285.30	17,390.74
Laigang Group Thaitong Industrial Co., Ltd.	Auxiliary materials and spare parts	27,031.52	21,352.98
Laigang Group Xintai Copper Industrial Co., Ltd.	Raw and auxiliary materials	7,909.37	5,017.18
Laigang Group Yinshan Section Steel Co., Ltd.	Power, etc.	42,720.62	25,331.13
Laigang Group Yinshan Section Steel Co., Ltd.	Steel products	485.46	122.98
Laigang Group Yinshan Section Steel Co., Ltd.	Hot metal, steel billet	677,334.11	719,151.95
Laiwu Iron and Steel Group Co., Ltd.	Steel products	123,957.14	68,436.09
Laiwu Iron and Steel Group Co., Ltd.	Power	247,616.79	231,561.39
Laiwu Iron and Steel Group Co., Ltd.	Processing and maintenance services	4,590.22	9,710.30
Laiwu Iron and Steel Group Co., Ltd.	Hot metal, steel billet	103,174.06	177,508.40
Laiwu Iron and Steel Group Co., Ltd.	Comprehensive services	13,996.54	14,730.71
Shandong Laiwu Steel International Corp.	Raw and auxiliary materials	181,978.63	

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Shandong Iron and Steel Group International Trade Co., Ltd.	Raw and auxiliary materials	10,477.59	
Shandong Laiwu Steel Construction Co., Ltd.	Engineering and maintenance services	13,123.31	12,329.44
Shandong Laigang Motor Transport Co., Ltd.	Transportation, processing and maintenance services	42,854.97	79,065.50
Shandong Lubi Building Materials Co., Ltd.	Raw and auxiliary materials	28,746.51	27,556.54
Luyin Investment Group Co., Ltd.	Auxiliary materials	2,068.26	9,017.20
Luyin Investment Group Co., Ltd.	Steel products		59,345.88
Bisalloy Jigang (Shandong) Steel Plate Co., Ltd.	Steel products	189.52	
Dezhou Jigang Longma Steel Processing and Distribution Co., Ltd.	Steel products	246.81	
Jigang Group International Engineering Technology Co., Ltd.	Engineering and labor	6,146.12	9,921.14
Jinan Steel International Trade Co. Ltd.	Spare parts and other auxiliary materials	3,022.10	
Jinan Steel International Trade Co. Ltd.	Raw materials	163,995.52	
Jigang Group Shandong Construction Engineering Co., Ltd.	Spare parts and other auxiliary materials	164.00	765.62
Jigang Group Shandong Construction Engineering Co., Ltd.	Engineering and maintenance services	6,435.35	11,896.31
Jigang Group Commercial Trading Co., Ltd.	Raw and auxiliary materials	772.85	1,700.82
Jigang Group Commercial Trading Co., Ltd.	Comprehensive services	3,383.41	3,805.74
Production Service Company, Ji'nan Iron and Steel Group Corp.	Transportation, processing and maintenance services	968.33	
Jinan Iron and Steel Group Co., Ltd.	Power	2,245.84	650.18
Jinan Iron and Steel Group Co., Ltd.	Raw and auxiliary materials	15,687.16	14,183.10
Jinan Iron and Steel Group Co., Ltd.	Steel products	79,082.15	112,602.32
Jinan Iron and Steel Group Co., Ltd.	Comprehensive services	9,598.77	10,411.97
Jinan Steel Heavy Machinery Co., Ltd.	Auxiliary materials and spare parts	2,430.56	4,029.88
Jinan Steel Heavy Machinery Co., Ltd.	Processing and maintenance services	3,902.37	3,963.37
Jinan Steel Hong Kong Holdings Limited	Raw materials	260,000.97	655,956.55
Jigang Singapore Pte Ltd.	Raw materials	60,162.34	
Jinan Baode Steel Construction Co., Ltd.	Steel products		3,879.80

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Jinan Baode Steel Construction Co., Ltd.	Processing, maintenance and other services	1,432.34	1,139.65
Jigang Baode Furnace Charge Co., Ltd.	Raw and auxiliary materials	28,747.59	22,230.30
Jigang Baode Furnace Charge Co., Ltd.	Processing, maintenance and other services	417.61	282.35
Jinan Baode Motor Transport Co., Ltd.	Steel products		419.05
Jinan Baode Motor Transport Co., Ltd.	Raw and auxiliary materials	298.94	306.46
Jinan Baode Motor Transport Co., Ltd.	Transportation service	14,286.42	13,291.75
Jinan Baode Metallurgical limestone Co., Ltd.	Raw and auxiliary materials	2,444.23	3,604.31
Jinan Steel City Mining Co.,Ltd.	Power	2,126.08	2,488.83
Jinan Steel City Mining Co.,Ltd.	Raw and auxiliary materials	58,627.40	59,768.63
Jinan Steel City Mining Co.,Ltd.	Processing, maintenance and other services	1,634.03	2,064.15
Jigang Group Refractories Co., Ltd.	Raw materials	31,966.39	31,815.90
Jigang Group Refractories Co., Ltd.	Processing, maintenance and other services	238.50	306.38
Jinan Steel New Business Co., Ltd.	Steel products		218.58
Jinan Steel New Business Co., Ltd.	Raw and auxiliary materials		28,948.63
Jinan Steel New Business Co., Ltd.	Engineering and maintenance services		2,832.51
Jinan Yellow River Blasting Engineering Co., Ltd.	Other		24.89
Ji'nan Jigang Iron Alloy Factory	Raw and auxiliary materials	25,325.19	33,194.24
Ji'nan Jigang Iron Alloy Factory	Processing, maintenance and other services	1,344.79	747.44
Ji'nan Ji'nai Industry and Trade Co., Ltd.	Spare parts and other auxiliary materials	455.79	207.96
Ji'nan Fire Equipment Factory	Transportation, processing and maintenance services	3.93	
Qingdao Free Trade Zone Jigang International Logistics Co., Ltd.	Steel products	25.76	467.92
Qingdao Free Trade Zone Jigang International	Raw and auxiliary	3,629.83	

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Logistics Co., Ltd.	materials		
Qingdao Free Trade Zone Jigang International Logistics Co., Ltd.	Transportation service	110.81	52.76
Qingdao Xinlai Weiye Economy and Trade Co., Ltd.	Transportation, processing and maintenance services	62.39	
Shandong Baode Metal Composite Plates Co., Ltd.	Steel products	10.22	143.93
Shandong Baode Coal Co., Ltd.	Raw and auxiliary materials	33,609.53	69,687.79
Shandong Baode FlatBar Co., Ltd.	Raw and auxiliary materials	1,729.41	849.16
Shandong Jigang Akeli Chemical Co., Ltd.	Spare parts and other auxiliary materials	335.28	394.29
Shandong Jinling Mining Co., Ltd.	Raw and auxiliary materials	550.52	2,489.89
Shandong Jinling Iron Mine	Other	6.37	
Shandong Luye Ruibao Electric Automation Co., Ltd.	Auxiliary materials and spare parts	967.90	569.44
Shandong Luye Ruibao Electric Automation Co., Ltd.	Engineering	576.09	423.83
Shandong Refractories Group Co., Ltd.	Raw and auxiliary materials	1,093.68	1,201.75
Shandong Ductile Iron Pipes Co., Ltd.	Raw and auxiliary materials	103,466.38	70,322.21
Shandong Ductile Iron Pipes Co., Ltd.	Transportation, processing and maintenance services	0.54	11.61
Shandong Metallurgical Geological Survey's Hydrologic Survey Co., Ltd.	Engineering	939.41	
Shandong Metallurgical Geological Survey's Hydrologic Survey Co., Ltd.	Maintenance and spare parts	2,388.17	904.22
Shandong Metallurgical Research Institute	Maintenance and spare parts	2,258.55	2,669.52
Shandong Metallurgical Materials Co., Ltd.	Raw and auxiliary materials	334.41	
Shan Steel Group Economic and Trade Co., Ltd.	Raw and auxiliary materials	284.61	
Weifang Jigang Ganglian Steel Processing and Distribution Co., Ltd.	Steel products	1,812.89	
Ji'nan Saab Special Automobile Co., Ltd.	Other	6.75	
Heze Hardware Factory, Ji'nan Iron and Steel Group Corporation	Other	1.17	
Total		2,598,352.62	2,786,067.85

Sale of goods / provision of services

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Related party	Content of related transaction	The amount incurred in current period (RMB ten thousand yuan)	The amount incurred in current period (RMB ten thousand yuan)
Laigang Group Blue Sky Business Vehicle Industry Co., Ltd.	Steel products	1,927.87	708.64
Laigang Group Blue Sky Business Vehicle Industry Co., Ltd.	Other	827.24	37.81
Laiwu Iron and Steel Group Powder Metallurgy Co., Ltd.	Electronic products	11.40	
Laiwu Iron and Steel Group Powder Metallurgy Co., Ltd.	Power	7,240.30	6,376.32
Laiwu Iron and Steel Group Powder Metallurgy Co., Ltd.	Auxiliary materials	4,802.63	5,822.76
Laigang Group Machinery Manufacturing Co., Ltd.	Power, etc.	146.50	301.38
Laigang Group Machinery Manufacturing Co., Ltd.	Steel products	11,201.92	19,776.83
Laigang Group Jinding Industrial Co., Ltd.	Power, etc.	4,201.68	4,552.91
Laigang Group Mine Construction Co., Ltd.	Power, etc.	4,444.93	4,959.38
Laigang Group Laiwu Mining Co., Ltd.	Auxiliary materials	279.65	517.09
Laigang Group Lunan Mining Co., Ltd.	Electronic products	20.67	
Laigang Group Thaitong Industrial Co., Ltd.	Power, etc.	10,610.96	15,596.21
Laigang Group Thaitong Industrial Co., Ltd.	Steel products	3,802.38	6,780.77
Laigang Group Xintai Copper Industrial Co., Ltd.	Steel products		39.74
Laigang Group Xintai Copper Industrial Co., Ltd.	Power, etc.	462.15	413.64
Laigang Group Yinshan Section Steel Co., Ltd.	Power, etc.	126,131.79	104,582.74
Laigang Group Yinshan Section Steel Co., Ltd.	Coke, ore, steel billet, etc.	676,029.75	876,798.07
Laigang Group Yinshan Section Steel Co., Ltd.	Transportation, maintenance and other services	11,877.33	10,670.12
Laiwu Iron and Steel Group Co., Ltd.	Power, etc.	57,540.15	82,787.22
Laiwu Iron and Steel Group Co., Ltd.	Steel products	159,663.86	90,636.95
Laiwu Iron and Steel Group Co., Ltd.	Coke, ore	95,933.40	172,555.83
Laigang Group Zibo Anchor Chain Co., Ltd.	Steel products	1,525.24	1,417.49
Luyin Investment Group Co., Ltd.	Steel products		245,885.48
Luyin Investment Group Co., Ltd.	Power, etc.	535.38	6,726.39
Luyin Investment Group Co., Ltd.	Transportation, maintenance and other		172.35

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	services		
Shandong Iron and Steel Group (Rizhao) Co., Ltd.	Electronic products	41.27	
Shandong Iron and Steel Group Zibo Zhanggang Co., Ltd.	Electronic products	306.34	
Shandong Laiwu Steel International Corp.	Steel products	13,160.54	
Shandong Laiwu Steel Construction Co., Ltd.	Power, etc.	150.80	305.11
Shandong Laiwu Steel Construction Co., Ltd.	Steel products	4,334.45	13,501.51
Shandong Laigang Motor Transport Co., Ltd.	Power, etc.	75.11	87.66
Shandong Laigang Motor Transport Co., Ltd.	Steel products	9,340.79	12,627.94
Shandong Lubi Building Materials Co., Ltd.	Power, etc.	28,429.09	26,687.09
Shandong Lubi Building Materials Co., Ltd.	Steel products	6,394.20	5,164.45
Shandong Iron and Steel Group Co., Ltd.	Electronic products	808.40	462.58
Shan Steel Laigang Xinjiang Co., Ltd.	Steel products, etc.	921.33	1,247.49
Bisalloy Jigang (Shandong) Steel Plate Co., Ltd.	Steel products	2,959.83	115.61
Dezhou Jigang Longma Steel Processing and Distribution Co., Ltd.	Steel products	19,222.19	20,451.82
Dingtao Jigang Steel Sales Co., Ltd.	Steel products		23.69
Jinan Steel International Trade Co. Ltd.	Steel products	26,084.70	
Jigang Group Shandong Construction Engineering Co., Ltd.	Power and others	389.93	290.68
Jigang Group Shandong Construction Engineering Co., Ltd.	Steel products		259.06
Jigang Group Commercial Trading Co., Ltd.	Steel products	2,639.00	4,217.56
Jigang Group Commercial Trading Co., Ltd.	Power and others	6,203.78	3,445.67
Jinan Iron and Steel Group Co., Ltd.	Power and others	41,067.68	45,567.63
Jinan Iron and Steel Group Co., Ltd.	Steel billet, hot metal	93,474.58	374,019.40
Jinan Iron and Steel Group Co., Ltd.	Steel products	8,253.80	61,961.41
Jinan Iron and Steel Group Co., Ltd.	Raw and auxiliary materials	237.57	43,245.64
Jinan Steel Heavy Machinery Co., Ltd.	Power and others	752.88	1,030.02
Jinan Steel Hong Kong Holdings Limited	Steel products, etc.	83,526.95	15,303.15
Jigang Singapore Pte Ltd.	Iron & steel, ore		13,085.36
Jinan Baode Real Estate Development Co., Ltd.	Power		11.26
Jinan Baode Steel Construction Co., Ltd.	Steel products, etc.	2,187.44	1,855.47
Shandong Baode Metal Composite Plates Co., Ltd.	Other	9.63	8.00
Jigang Baode Furnace Charge Co., Ltd.	Slag, etc.	1,456.31	2,309.04
Jinan Baode Motor Transport Co., Ltd.	Steel products	102,765.11	13,708.67
Jinan Baode Motor Transport Co., Ltd.	Power, etc.	186.82	211.70
Jinan Baode Metallurgical limestone Co., Ltd.	Steel products		27.78

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Jinan Baode Metallurgical limestone Co., Ltd.	Other	7.74	
Jinan Steel City Mining Co.,Ltd.	Power and others	12.33	5.54
Jinan Steel City Mining Co.,Ltd.	Steel products		3,238.80
Jinan Steel City Mining Co.,Ltd.	Ore		5,470.10
Jigang Group Refractories Co., Ltd.	Steel products, etc.	139.80	5.72
Jinan Steel New Business Co., Ltd.	Other		14.55
Heze Hardware Factory, Ji'nan Iron and Steel Group Corporation	Other	0.03	
Heze Hardware Factory, Ji'nan Iron and Steel Group Corporation	Steel products	188.81	123.30
Production Service Company, Ji'nan Iron and Steel Group Corp.	Steel products	5,424.13	6,225.33
Ji'nan Jigang Iron Alloy Factory	Steel products	1,587.91	13,510.32
Ji'nan Jigang Iron Alloy Factory	Other	728.88	338.92
Ji'nan Luxin New Building Materials Co., Ltd.	Water slag		9,187.50
Qingdao Free Trade Zone Jigang International Logistics Co., Ltd.	Steel products, etc.	37,946.52	9,894.97
Qingdao Xinlai Weiye Economy and Trade Co., Ltd.	Steel products	2,430.35	7,082.29
Shandong Baode Metal Composite Plates Co., Ltd.	Steel products	3,789.89	4,364.27
Shandong Baode Metal Composite Plates Co., Ltd.	Power, etc.	183.73	168.33
Shandong Baode FlatBar Co., Ltd.	Other	25.19	34.05
Shandong Luye Ruibao Electric Automation Co., Ltd.	Steel products		0.49
Shandong Ductile Iron Pipes Co., Ltd.	Steel products		87.14
Shandong Ductile Iron Pipes Co., Ltd.	Power, etc.	159.05	1,332.09
Shandong Ductile Iron Pipes Co., Ltd.	Coke, ore	2,516.56	8,435.52
Shandong Rongxin Investment Co., Ltd.	Ore		38,346.08
Shandong Metallurgical Geological Survey's Hydrologic Survey Co., Ltd.	Steel products	6.56	775.06
Shandong Metallurgical Geological Survey's Hydrologic Survey Co., Ltd.	Power, etc.	46.62	60.11
Shandong Metallurgical Research Institute	Other	8.62	8.37
Weihai Jigang Qiyue Ship Materials Co., Ltd.	Steel products	41.28	
Weifang Jigang Ganglian Steel Processing and Distribution Co., Ltd.	Steel products	27,873.85	10,798.06
Total		1,717,515.55	2,438,855.48

(3)Status of associated entrusted management/commissioned management

①The Company, as a trustee

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Name of Principal	Name of Trustee	Type of assets under entrusted management	Starting date of entrustment	Ending date of entrustment	Basis for the pricing of entrustment income	Entrustment income recognized in this year
Laiwu Iron and Steel Group Co., Ltd.	Shandong Iron and Steel Co., Ltd.	The equity of 8 companies, including Laigang (Zibo) Economic and Trade Co., Ltd. (Note 1)	2014.11.17	Note 2	Negotiation	Note 3
Laiwu Iron and Steel Group Co., Ltd.	Shandong Iron and Steel Co., Ltd.	Equity of Laigang Group Zhengzhou Economic and Trade Co., Ltd.	2014.11.17		Negotiation	
Laiwu Iron and Steel Group Co., Ltd.	Shandong Iron and Steel Co., Ltd.	Equity of Shan Steel Laigang Xinjiang Co., Ltd.	2014.11.17		Negotiation	
Laiwu Iron and Steel Group Co., Ltd.	Shandong Iron and Steel Co., Ltd.	Equity of Laigang Group Yinshan Section Steel Co., Ltd.	2014.11.17		Negotiation	

Note 1: In the *Equity trusteeship agreement of eight marketing subsidiaries including Laigang (Zibo) Economic and Trade Co., Ltd.* signed between Shandong Iron and Steel Co., Ltd. and Laiwu Iron and Steel Group Co., Ltd., it is required that Shandong Iron and Steel Co., Ltd., entrusted by Shandong Iron and Steel Co., Ltd., shall take trusteeship of the equity of eight marketing subsidiaries including Laigang (Zibo) Economic and Trade Co., Ltd.; and the agreed annual trusteeship expense is RMB 500,000. Such eight subsidiaries are Laigang (Zibo) Economic and Trade Co., Ltd., Laigang Group Kunming Economic and Trade Co., Ltd., Laigang Group Yongkang Economic and Trade Co., Ltd., Laigang Hefei Economic and Trade Co., Ltd., Laigang Rizhao Economic and Trade Co., Ltd., Laigang (Dongying) Economic and Trade Co., Ltd., Laigang Group Xuzhou Economic and Trade Co., Ltd. and Laigang Group Sichuan Economic and Trade Co., Ltd.

Note 2: The termination date of the trusteeship of the 11 equity trust companies agreed in the Contract is from the date when target equity has been transferred to the trustee and registered in the name of the trustee, or the target equity has been sold to any third party and registered in the name of any third party, or the termination date agreed by both parties.

Note 3: The starting date of the trusteeship of the 11 equity trust companies is Nov. 17, 2014, which is nearly the end of a year, thus no income from trusteeship shall be recognized in 2014 and income from trusteeship shall be recognized since 2015. The annual trusteeship fees agreed in the equity trusteeship agreement are fixed amount, in which the equity trusteeship fee of eight marketing subsidiaries including Laigang (Zibo) Economic and Trade Co., Ltd. is RMB 500,000 per year; the equity trusteeship fee of Laigang Group Zhengzhou Economic and Trade Co., Ltd. is RMB 100,000 per year; the equity trusteeship fee of Shan Steel Laigang Xinjiang Co., Ltd. is RMB 300,000 per year; and the equity trusteeship fee of Laigang Group Yinshan Section Steel Co., Ltd. is RMB 500,000 per year.

It is agreed in the Equity Trusteeship Agreement that "Major asset disposal and major renovation project investment of entrusted enterprises shall be approved or agreed by the Principal"; according to the revised standards for consolidated financial statements revised in 2014, the Company believes that the above trusteeship is not in line with the definition of control.

(3) Related leasing

①The Company, as a lessor of finance lease

Name of Lessee	Type of Leased Asset	Rental income recognized in this year	Rental income recognized in the previous year
Jinan Baode Motor Transport Co., Ltd.	Transportation equipments	1,623,931.62	7,490,400.00
Shandong Baode Metal Composite Plates Co., Ltd.	Machinery and equipments		4,500,000.00
Jinan Iron and Steel Group Co., Ltd.	Machinery and equipments	97,500,000.00	540,000,000.00

Description: The decrease in rental income in the current year is caused by the not renewal and lease within the reporting period.

②The Company, as a lessee of finance lease

Name of Lessor	Type of Leased Asset	Rental expense recognized in this year	Rental expense recognized in the previous year
Jinan Iron and Steel Group Co., Ltd.	Machinery and equipments	8,042,700.00	8,042,700.00
Jinan Iron and Steel Group Co., Ltd.	Land	75,430,000.00	56,780,000.00
Jinan Iron and Steel Group Co., Ltd.	Land	1,448,400.00	1,448,400.00
Jinan Iron and Steel Group Co., Ltd.	Buildings, structures, equipments	4,000,000.00	4,000,000.00
Jinan Iron and Steel Group Co., Ltd.	Land use right	1,074,800.00	1,074,800.00
Laiwu Iron and Steel Group Co., Ltd.	Land	53,289,158.37	52,250,290.14
Laiwu Iron and Steel Group Co., Ltd.	Fixed assets		8,300,000.00
Laiwu Iron and Steel Group Co., Ltd.	Houses	38,088,000.00	38,088,000.00
Laiwu Iron and Steel Group Co., Ltd.	Land	795,292.50	795,292.50
Laiwu Iron and Steel Group Co., Ltd.	House lease	173,774.28	
Laigang Group Jinding Industrial Co., Ltd.	House lease	300,000.00	
Laiwu Iron and Steel Group Co., Ltd.	Land		12,753.40

③The Company, as a lessee of operating lease

The Company and Jigang International Financial Leasing Co., Ltd. carried out financing lease (sales-leaseback) business to sell 4300MM mill and part of equipments of 210T converter to Jigang International Financial Leasing Co., Ltd., and meanwhile lease the target assets; the transfer prices of the above target objects are consistent with the lease principal; the nominal annual lease rate is the lending benchmark interest rate of three-year loan (6.15% per year, excluding tax) published by the People's Bank of China; as of Dec. 31, 2014, there are totally 3 transactions, with the total amount raised of RMB 1,001,890,000.00. After the rent has been fully

repaid, the repurchase price of the asset is RMB 1. Details are as follows:

Name of Lessor	Lease commencement date	Due date	Initial amount
Jigang International Financial Leasing Co., Ltd.	2014-7-8	2017-3-8	500,120,000.00
Jigang International Financial Leasing Co., Ltd.	2014-10-2	2019-9-30	201,500,000.00
Jigang International Financial Leasing Co., Ltd.	2014-12-22	2015-12-6	300,270,000.00

As of December 31, 2014, the amount of the principal of accounts payable involving the Company's financial leasing business is RMB 1,000,890,000.00 and the un-recognized balance of financing costs is RMB 142,704,514.21.

(5) Connected Guarantee

① The Company, as a guarantor

The Company provide guarantee to the original subsidiary, Jinan Steel International Trade Co. Ltd. for its limit of L/C; since the equity of Jinan Steel International Trade Co. Ltd. was transferred in December 2013, the Company did not provide guarantee to Jinan Steel International Trade Co. Ltd. for issuing L/C. As of the end of 2014, the L/Cs issued under the original guarantee are expired, thus the company's guarantee responsibility has been released.

② The Company, as a guarantee

Guarantor	Amount of guarantee	Starting date of guarantee	Maturity date of guarantee	Whether guarantee performed completely
Shandong Iron and Steel Group Co., Ltd.	150,000,000.00	2015-1-24	2017-1-23	No
Shandong Iron and Steel Group Co., Ltd.	30,000,000.00	2015-2-14	2017-2-13	No
Shandong Iron and Steel Group Co., Ltd.	50,000,000.00	2015-2-14	2017-2-13	No
Shandong Iron and Steel Group Co., Ltd.	50,000,000.00	2015-2-14	2017-2-13	No
Shandong Iron and Steel Group Co., Ltd.	60,000,000.00	2015-2-14	2017-2-13	No
Shandong Iron and Steel Group Co., Ltd.	60,000,000.00	2015-2-14	2017-2-13	No
Shandong Iron and Steel Group Co., Ltd.	100,000,000.00	2015-3-1	2017-2-28	No
Shandong Iron and Steel Group Co., Ltd.	30,000,000.00	2015-3-7	2017-3-6	No
Shandong Iron and Steel Group Co., Ltd.	30,000,000.00	2015-3-7	2017-3-6	No
Shandong Iron and Steel Group Co., Ltd.	40,000,000.00	2015-3-7	2017-3-6	No

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Ltd.				
Shandong Iron and Steel Group Co., Ltd.	100,000,000.00	2015-3-24	2017-3-23	No
Shandong Iron and Steel Group Co., Ltd.	50,000,000.00	2015-3-27	2017-3-26	No
Shandong Iron and Steel Group Co., Ltd.	120,000,000.00	2015-4-4	2017-4-3	No
Shandong Iron and Steel Group Co., Ltd.	50,000,000.00	2015-4-30	2017-4-29	No
Jinan Iron and Steel Group Co., Ltd.	4,500,000.00	2015-5-1	2017-4-30	No
Jinan Iron and Steel Group Co., Ltd.	6,300,000.00	2015-5-1	2017-4-30	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2015-5-1	2017-4-30	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2015-5-1	2017-4-30	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2015-5-1	2017-4-30	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2015-5-1	2017-4-30	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2015-5-1	2017-4-30	No
Jinan Iron and Steel Group Co., Ltd.	27,000,000.00	2015-5-1	2017-4-30	No
Shandong Iron and Steel Group Co., Ltd.	200,000,000.00	2015-5-13	2017-5-12	No
Shandong Iron and Steel Group Co., Ltd.	101,000,000.00	2015-5-21	2017-5-20	No
Shandong Iron and Steel Group Co., Ltd.	180,000,000.00	2015-5-22	2017-5-21	
Shandong Iron and Steel Group Co., Ltd.	247,807,950.00	2015-6-12	2017-6-11	No
Shandong Iron and Steel Group Co., Ltd.	70,000,000.00	2015-6-19	2017-6-18	No
Shandong Iron and Steel Group Co., Ltd.	100,000,000.00	2015-6-20	2017-6-19	No
Shandong Iron and Steel Group Co., Ltd.	150,000,000.00	2015-6-23	2017-6-22	No
Shandong Iron and Steel Group Co., Ltd.	250,000,000.00	2015-6-25	2017-6-24	No
Shandong Iron and Steel Group Co., Ltd.	232,000,000.00	2015-6-26	2017-6-25	No
Shandong Iron and Steel Group Co., Ltd.	250,000,000.00	2015-6-26	2017-6-25	No
Shandong Iron and Steel Group Co., Ltd.	100,000,000.00	2015-6-27	2017-6-26	No
Shandong Iron and Steel Group Co., Ltd.	20,000,000.00	2015-6-27	2017-6-26	No
Shandong Iron and Steel Group Co., Ltd.	80,000,000.00	2015-7-18	2017-7-17	No

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Shandong Iron and Steel Group Co., Ltd.	110,000,000.00	2015-7-18	2017-7-17	No
Shandong Iron and Steel Group Co., Ltd.	304,000,000.00	2015-7-23	2017-7-22	No
Shandong Iron and Steel Group Co., Ltd.	100,000,000.00	2015-7-30	2017-7-29	No
Shandong Iron and Steel Group Co., Ltd.	95,000,000.00	2015-8-7	2017-8-6	No
Shandong Iron and Steel Group Co., Ltd.	150,000,000.00	2015-8-19	2017-8-18	No
Shandong Iron and Steel Group Co., Ltd.	100,000,000.00	2015-8-23	2017-8-22	No
Shandong Iron and Steel Group Co., Ltd.	200,000,000.00	2015-8-29	2017-8-28	No
Shandong Iron and Steel Group Co., Ltd.	100,000,000.00	2015-9-12	2017-9-11	No
Shandong Iron and Steel Group Co., Ltd.	200,000,000.00	2015-9-19	2017-9-18	No
Shandong Iron and Steel Group Co., Ltd.	200,000,000.00	2015-9-27	2017-9-26	No
Shandong Iron and Steel Group Co., Ltd.	500,000,000.00	2015-9-30	2017-9-29	No
Shandong Iron and Steel Group Co., Ltd.	500,000,000.00	2015-9-30	2017-9-29	No
Shandong Iron and Steel Group Co., Ltd.	20,000,000.00	2015-9-30	2017-9-29	No
Shandong Iron and Steel Group Co., Ltd.	122,380,000.00	2015-9-30	2017-9-29	No
Shandong Iron and Steel Group Co., Ltd.	250,879,000.00	2015-9-30	2017-9-29	No
Shandong Iron and Steel Group Co., Ltd.	93,000,000.00	2015-10-17	2017-10-16	No
Shandong Iron and Steel Group Co., Ltd.	114,000,000.00	2015-10-23	2017-10-22	No
Shandong Iron and Steel Group Co., Ltd.	160,550,531.09	2015-10-24	2017-1-23	No
Shandong Iron and Steel Group Co., Ltd.	57,521,992.13	2015-10-27	2017-10-26	No
Jinan Iron and Steel Group Co., Ltd.	4,500,000.00	2015-11-1	2017-10-31	No
Jinan Iron and Steel Group Co., Ltd.	6,300,000.00	2015-11-1	2017-10-31	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2015-11-1	2017-10-31	No

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Ltd.				
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2015-11-1	2017-10-31	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2015-11-1	2017-10-31	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2015-11-1	2017-10-31	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2015-11-1	2017-10-31	No
Jinan Iron and Steel Group Co., Ltd.	27,000,000.00	2015-11-1	2017-10-31	No
Jinan Baode Motor Transport Co., Ltd.	45,000,000.00	2015-11-24	2017-11-23	No
Shandong Iron and Steel Group Co., Ltd.	60,000,000.00	2015-11-26	2017-11-25	No
Shandong Iron and Steel Group Co., Ltd.	130,000,000.00	2015-12-9	2017-12-8	No
Shandong Iron and Steel Group Co., Ltd.	30,000,000.00	2015-12-12	2017-12-11	No
Shandong Iron and Steel Group Co., Ltd.	50,000,000.00	2015-12-19	2017-12-18	No
Shandong Iron and Steel Group Co., Ltd.	100,000,000.00	2016-2-22	2018-2-21	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2016-5-1	2018-4-30	No
Jinan Iron and Steel Group Co., Ltd.	6,300,000.00	2016-5-1	2018-4-30	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2016-5-1	2018-4-30	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2016-5-1	2018-4-30	No
Jinan Iron and Steel Group Co., Ltd.	9,000,000.00	2016-5-1	2018-4-30	
Jinan Iron and Steel Group Co., Ltd.	4,500,000.00	2016-5-1	2018-4-30	
Shandong Iron and Steel Group Co., Ltd.	115,088,186.92	2016-5-15	2018-5-14	No
Jinan Iron and Steel Group Co., Ltd.	14,000,000.00	2016-11-1	2018-10-31	No
Jinan Iron and Steel Group Co., Ltd.	9,800,000.00	2016-11-1	2018-10-31	No
Jinan Iron and Steel Group Co., Ltd.	14,000,000.00	2016-11-1	2018-10-31	No

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Jinan Iron and Steel Group Co., Ltd.	14,000,000.00	2016-11-1	2018-10-31	No
Jinan Iron and Steel Group Co., Ltd.	14,000,000.00	2016-11-1	2018-10-31	No
Jinan Iron and Steel Group Co., Ltd.	7,000,000.00	2016-11-1	2018-10-31	No
Jinan Iron and Steel Group Co., Ltd.	14,000,000.00	2017-4-29	2019-4-28	No
Jinan Iron and Steel Group Co., Ltd.	111,000,000.00	2017-4-29	2019-4-28	No
Jinan Iron and Steel Group Co., Ltd.	9,800,000.00	2017-4-29	2019-4-28	No
Jinan Iron and Steel Group Co., Ltd.	14,000,000.00	2017-4-29	2019-4-28	No
Jinan Iron and Steel Group Co., Ltd.	14,000,000.00	2017-4-29	2019-4-28	No
Jinan Iron and Steel Group Co., Ltd.	37,000,000.00	2017-4-29	2019-4-28	No
Jinan Iron and Steel Group Co., Ltd.	14,000,000.00	2017-4-29	2019-4-28	No
Jinan Iron and Steel Group Co., Ltd.	7,000,000.00	2017-4-29	2019-4-28	No

(6) Capital borrowing and lending of related parties

Related party	Amount of capital borrowing and lending	Start date	Due date
Borrowing:			
Shandong Iron and Steel Group Co., Ltd.	200,000,000.00	2010-3-3	2015-3-29
Shandong Iron and Steel Group Co., Ltd.	500,000,000.00	2010-3-30	2015-3-29
Jinan Iron and Steel Group Co., Ltd.	20,000,000.00	2013-12-31	2014-12-31
Shandong Iron and Steel Group Co., Ltd.	15,000,000.00	2014-1-4	2015-1-4
Jinan Iron and Steel Group Co., Ltd.	300,000,000.00	2014-1-10	2015-1-10
Shandong Iron and Steel Group Finance Co., Ltd.	300,000,000.00	2014-1-13	2015-1-12
Jinan Iron and Steel Group Co., Ltd.	100,000,000.00	2014-1-24	2015-1-24
Jinan Iron and Steel Group Co., Ltd.	280,000,000.00	2014-1-29	2015-1-29
Jinan Iron and Steel Group Co., Ltd.	50,000,000.00	2014-1-30	2015-1-30
Jinan Iron and Steel Group Co., Ltd.	500,000,000.00	2014-2-14	2015-2-14
Jinan Iron and Steel Group Co., Ltd.	100,000,000.00	2014-3-27	2015-3-27
Jinan Iron and Steel Group Co., Ltd.	400,000,000.00	2014-4-5	2015-4-5
Jinan Iron and Steel Group Co., Ltd.	385,000,000.00	2014-4-10	2015-4-10

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Shandong Iron and Steel Group Co., Ltd.	1,600,000,000.00	2014-4-14	2015-4-13
Jinan Iron and Steel Group Co., Ltd.	50,000,000.00	2014-6-6	2015-6-6
Jinan Iron and Steel Group Co., Ltd.	20,000,000.00	2014-6-10	2015-6-10
Jinan Iron and Steel Group Co., Ltd.	50,000,000.00	2014-6-18	2015-6-18
Jinan Iron and Steel Group Co., Ltd.	20,000,000.00	2014-6-23	2015-6-23
Jinan Iron and Steel Group Co., Ltd.	40,000,000.00	2014-6-24	2015-6-24
Jinan Iron and Steel Group Co., Ltd.	10,000,000.00	2014-6-25	2015-6-25
Jinan Iron and Steel Group Co., Ltd.	30,000,000.00	2014-6-27	2015-6-27
Jinan Iron and Steel Group Co., Ltd.	90,000,000.00	2014-6-30	2015-6-30
Shandong Iron and Steel Group Finance Co., Ltd.	200,000,000.00	2014-10-23	2015-10-22
Shandong Iron and Steel Group Finance Co., Ltd.	61,190,000.00	2014-10-24	2015-10-24
Jinan Iron and Steel Group Co., Ltd.	100,000,000.00	2014-11-12	2015-11-12
Shandong Iron and Steel Group Finance Co., Ltd.	200,000,000.00	2014-11-13	2015-11-12
Shandong Iron and Steel Group Co., Ltd.	200,000,000.00	2014-12-1	2015-1-31
Shandong Iron and Steel Group Co., Ltd.	200,000,000.00	2014-12-5	2015-1-31

Note: The total amount of due and repaid borrowing funds is RMB 5,281,525,000.00 within the current period; the total amount of undue borrowing funds at the end of the period is RMB 6,021,190,000.00; the total amount borrowing interest paid to the related parties in this year is RMB 291,441,770.54 ; the range of interest rate: annual interest rate of 4.37% - 7%.

(7) Asset transfer, debt restructuring of related parties

Related party	Content of related transaction	The amount incurred in current year	The amount incurred in the previous year
Laiwu Iron and Steel Group Co., Ltd.	Purchase of fixed assets		499,027,577.30
Shandong Iron and Steel Group International Trade Co., Ltd.	Sale of equity		605,206,747.51

(8) Remuneration of key management personnel

Related party	Ending amount	Opening amount
Remuneration of key management personnel	338.30	428.44

(9) Monetary funds of related parties

Related party	Ending amount	Opening amount
Shandong Iron and Steel Group Finance Co., Ltd.	1,269,337,847.68	1,090,693,614.19
Total	1,269,337,847.68	1,090,693,614.19

6. Receivables and payables of the related parties

(1) Items receivable

Project Name	Year-end balance		Year-opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision

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Accounts receivable:				
Jinan Baode Steel Construction Co., Ltd.	1,611,259.80	80,562.99	2,792,426.27	139,621.31
Production Service Company, Ji'nan Iron and Steel Group Corp.	9,386,742.39	2,811,196.47	12,067,437.39	1,206,743.74
Jinan Iron and Steel Group Co., Ltd.	83,175.30	4,158.77	76,453,913.65	3,822,695.68
Shandong Baode Metal Composite Plates Co., Ltd.	498,655.58	24,932.78	-	-
Zibo Zhanggang Iron and Steel Co., Ltd.	4,124,984.45	371,615.34	2,512,984.45	178,578.45
Jinan Steel Heavy Machinery Co., Ltd.	4,317,139.00	564,155.48	2,782,454.50	199,660.80
Ji'nan Jigang Iron Alloy Factory	1,219,251.20	60,962.56	1,571,146.40	78,557.32
Shandong Baode FlatBar Co., Ltd.	171,198.73	8,559.94	192,096.73	9,604.84
Jigang Baode Furnace Charge Co., Ltd.	22,815.00	1,916.46	11,863.80	638.82
Heze Hardware Factory, Ji'nan Iron and Steel Group Corporation	3,651,983.03	254,731.58	1,442,648.63	72,132.43
Dingtao Jigang Steel Sales Co., Ltd.	8,994,124.02	2,650,852.21	8,994,124.02	887,566.15
Laiwu Iron and Steel Group Powder Metallurgy Co., Ltd.	90,200.00	4,510.00	5,400.00	270.00
Laigang Group Machinery Manufacturing Co., Ltd.	24,753,643.73	1,237,682.19	16,088,968.20	804,448.41
Laigang Group Yinshan Section Steel Co., Ltd.	6,744,833.82	337,241.69		
Laiwu Iron and Steel Group Co., Ltd.	31,798,641.77	1,589,932.09	18,826,831.77	941,341.59
Laigang Group Zibo Anchor Chain Co., Ltd.	8,250.00	7,425.00	8,250.00	7,425.00
Shandong Iron and Steel Group (Rizhao) Co., Ltd.	227,800.00	11,390.00		
Shandong Iron and Steel Group Co., Ltd.	1,171,985.00	58,599.25	541,435.00	27,071.75
Shandong Laiwu Steel Construction Co., Ltd.	36,685,897.39	1,834,294.87	39,376,484.51	1,968,824.23
Shan Steel Laigang Xinjiang Co., Ltd.	14,227,273.75	711,363.69	10,213,955.00	510,697.75
Total	149,789,853.96	12,626,083.36	193,882,420.32	10,855,878.27
Notes receivable:				
Jinan Baode Motor Transport Co., Ltd.			700,000.00	
Jinan Steel Heavy Machinery Co., Ltd.			600,000.00	
Jigang Group International Engineering Technology Co., Ltd.	150,000.00			
Jinan Iron and Steel Group Co., Ltd.			500,000.00	
Laigang Group Yinshan Section Steel Co., Ltd.	10,500,000.00		1,170,000.00	
Shandong Laiwu Steel Construction Co., Ltd.			500,000.00	
Laiwu Iron and Steel Group Co., Ltd.			53,150,000.00	
Total	10,650,000.00		56,620,000.00	

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Prepayments:				
Jinan Iron and Steel Group Co., Ltd.	3,057,822.41		28,598,186.08	
Dezhou Jigang Longma Steel Processing and Distribution Co., Ltd.	163,756.68		14,205.91	
Laigang Group Zhengzhou Economic and Trade Co., Ltd.	100,000.00			
Weifang Jigang Ganglian Steel Processing and Distribution Co., Ltd.	93,701.30			
Qingdao Free Trade Zone Jigang International Logistics Co., Ltd.			2,154,096.25	
Jinan Steel Heavy Machinery Co., Ltd.	119,700.00			
Laigang Group Machinery Manufacturing Co., Ltd.	436,277.20		2,002,609.62	
Laigang Group Mine Construction Co., Ltd.	3,862,017.05		2,071,416.14	
Laigang Group Yinshan Section Steel Co., Ltd.	437,692,430.56			
Laiwu Iron and Steel Group Co., Ltd.	53,397,267.28			
Luyin Investment Group Co., Ltd.			1,501.44	
Shandong Luzhong Steel Logistics Co., Ltd.	45,975.00			
Laigang Group Xintai Copper Industrial Co., Ltd.	49,634.17			
Total	499,018,581.65		34,842,015.44	
Other receivables:				
Jinan Baode Motor Transport Co., Ltd.			23,488.92	7,046.68
Jigang Group Yantai Standard Parts Co., Ltd.	5,610,187.50	4,488,150.00	5,610,187.50	1,683,056.25
Jigang Group Refractories Co., Ltd.	90,729.30	27,218.79	90,729.30	9,072.93
Jinan Iron and Steel Group Co., Ltd.	990,000.00		2,630,389.12	131,519.46
Shandong Iron and Steel Group International Trade Co., Ltd.			21,206,747.51	
Shandong Laiwu Steel Construction Co., Ltd.			667,094.20	33,354.71
Shandong Laiwu Steel International Corp.	111,266,653.57	5,563,332.68		
Total	117,957,570.37	10,078,701.47	30,228,636.55	1,864,050.03

(2) Items payable

Project Name	Year-end balance	Year-opening balance
Accounts payable		
Dalian Jilian Metallurgical Machinery Equipment Co., Ltd.		66,000.00
Dezhou Jigang Longma Steel Processing and	4,169.70	

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Distribution Co., Ltd.		
Jigang Group International Engineering Technology Co., Ltd.	7,840,960.52	2,070,500.00
Jinan Steel International Trade Co. Ltd.	3,300,632,948.21	6,053,222,248.92
Heze Hardware Factory, Ji'nan Iron and Steel Group Corporation	13,720.00	
Jigang Group Shandong Construction Engineering Co., Ltd.	1,652,478.16	11,465,502.76
Jigang Group Commercial Trading Co., Ltd.	10,062,819.32	1,134,748.86
Jinan Iron and Steel Group Co., Ltd.	113,547,352.34	4,324,988.74
Jinan Steel Heavy Machinery Co., Ltd.	3,281,490.33	647,787.93
Jinan Baode Steel Construction Co., Ltd.	833,264.62	294,858.63
Jigang Baode Furnace Charge Co., Ltd.	20,711,520.43	13,101,240.08
Jinan Baode Motor Transport Co., Ltd.	9,022,107.52	15,297,033.25
Jinan Baode Metallurgical limestone Co., Ltd.	1,152,003.33	1,014,662.21
Jinan Steel City Mining Co.,Ltd.	200,788,328.51	170,822,608.88
Jigang Group Refractories Co., Ltd.	32,011,989.53	15,270,583.77
Jinan Steel New Business Co., Ltd.		18,785,053.67
Production Service Company, Ji'nan Iron and Steel Group Corp.	11,329,438.70	
Ji'nan Jigang Iron Alloy Factory	21,404,537.21	7,320,356.64
Ji'nan Ji'nai Industry and Trade Co., Ltd.	4,136,510.01	
Ji'nan Saab Special Automobile Co., Ltd.	79,000.00	
Ji'nan Fire Equipment Factory	46,014.00	
Qingdao Free Trade Zone Jigang International Logistics Co., Ltd.	11,034,002.97	19,399,980.34
Shandong Baode Metal Composite Plates Co., Ltd.	1,835,817.01	1,716,287.44
Shandong Baode FlatBar Co., Ltd.	3,833,268.38	2,492,675.53
Shandong Jinling Mining Co., Ltd.	10,689,396.09	8,056,652.69
Shandong Jinling Iron Mine	703,497.72	628,999.61
Shandong Laigang Yongfeng Steel Co., Ltd.	456,980.80	456,980.80
Shandong Luye Ruibao Electric Automation Co., Ltd.	67,135.00	
Shandong Refractories Group Co., Ltd.	2,162,134.93	
Shandong Ductile Iron Pipes Co., Ltd.	21,340,038.76	33,290,961.75
Shandong Rongxin Investment Co., Ltd.	4,490,000.00	
Shandong Metallurgical Geological Survey's Hydrologic Survey Co., Ltd.	922,147.57	1,131,406.93
Shandong Metallurgical Research Institute	12,005,729.81	20,447,031.87
Shandong Metallurgical Materials Co., Ltd.	1,487,472.64	40,538.74
Shan Steel Group Economic and Trade Co., Ltd.	1,343,965.16	
Weifang Jigang Ganglian Steel Processing and	14,920.05	

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Distribution Co., Ltd.		
Zibo Teying Iron and Steel Co., Ltd.	725,718.84	725,718.84
Zibo Zhanggang Iron and Steel Pipes Co., Ltd.	9,760.06	13,185.28
Laigang Group Mine Construction Co., Ltd.	10,726,649.22	15,408,295.47
Laigang Group Xintai Copper Industrial Co., Ltd.	566,268.44	269,186.53
Laigang Group Machinery Manufacturing Co., Ltd.	4,294,970.40	6,787,170.40
Laigang Group Jinding Industrial Co., Ltd.	8,295,095.04	7,715,467.37
Laigang Group Laiwu Mining Co., Ltd.	9,087,181.06	4,781,933.01
Laigang Group Thaitong Industrial Co., Ltd.	9,173,224.71	12,801,006.78
Laiwu Iron and Steel Group Co., Ltd.	119,677.00	205,089.78
Shandong Laiwu Steel International Corp.	941,077,244.28	5,532,075,227.10
Shandong Laiwu Steel Construction Co., Ltd.	33,204,532.41	29,975,378.21
Shandong Laigang Motor Transport Co., Ltd.	2,605,560.14	2,961,730.96
Luyin Investment Group Co., Ltd.	1,599,432.09	
Total	4,832,422,473.02	12,016,219,079.77
Notes payable:		
Jigang Baode Furnace Charge Co., Ltd.		10,000,000.00
Jinan Iron and Steel Group Co., Ltd.	200,000,000.00	200,000,000.00
Shandong Ductile Iron Pipes Co., Ltd.	234,500,000.00	20,000,000.00
Jinan Steel City Mining Co., Ltd.	82,450,000.00	30,000,000.00
Shandong Jinling Mining Co., Ltd.	1,000,000.00	1,000,000.00
Shandong Refractories Group Co., Ltd.	500,000.00	
Total	518,450,000.00	261,000,000.00
Advance from customers:		
Bisalloy Jigang (Shandong) Steel Plate Co., Ltd.	4,135,601.67	
Dezhou Jigang Longma Steel Processing and Distribution Co., Ltd.	261,563.52	5,701,516.87
Jigang Group Shandong Construction Engineering Co., Ltd.	43,458.45	
Jigang Group Commercial Trading Co., Ltd.	5,370,022.76	4,645,960.44
Jinan Iron and Steel Group Co., Ltd.	33,117,724.83	1,612,164.34
Jinan Steel Heavy Machinery Co., Ltd.	50,622.89	56,928.25
Jinan Baode Steel Construction Co., Ltd.	1,489,911.19	1,224,141.30
Jigang Baode Furnace Charge Co., Ltd.	17,681.36	
Jinan Baode Motor Transport Co., Ltd.	127,458,275.02	52,051,571.73
Ji'nan Desheng Property Management Co., Ltd.		8,000,000.00
Ji'nan Second Car Modification Factory	18,331.38	18,331.38
Jigang Group Refractories Co., Ltd.	665,111.55	580,123.58
Jinan Steel New Business Co., Ltd.		4,150,869.18
Heze Hardware Factory, Ji'nan Iron and Steel Group Corporation	121.68	115.48

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Xingda Company of Jigang Group Refractories Co., Ltd.		52,842.00
Ji'nan Jigang Iron Alloy Factory	3,260,784.62	3,549,964.22
Qingdao Free Trade Zone Jigang International Logistics Co., Ltd.	45,615,408.94	44,729,979.52
Qingdao Xinlai Weiye Economy and Trade Co., Ltd.	3,945,600.91	1,512,654.35
Shandong Baode Metal Composite Plates Co., Ltd.		2,554,554.28
Shandong Baode FlatBar Co., Ltd.	48,911.54	
Shandong Iron and Steel Group International Trade Co., Ltd.	85,500.00	
Shandong Iron and Steel Group Co., Ltd.	490,000.00	
Shandong Vocational College of Industry	103,748.15	103,748.15
Shandong Jinling Mining Co., Ltd.	23,705.44	23,705.44
Shandong Jinling Iron Mine	9,210.88	9,210.88
Shandong Ductile Iron Pipes Co., Ltd.	654,882.12	1,833,480.11
Shandong Metallurgical Geological Survey's Hydrologic Survey Co., Ltd.	151,052.10	138,252.86
Shandong Metallurgical Research Institute	6,074.64	6,074.64
Shandong Metallurgical Materials Co., Ltd.	62,081.41	62,081.41
Shan Steel Group Economic and Trade Co., Ltd.	378,051.43	
Weifang Jigang Ganglian Steel Processing and Distribution Co., Ltd.	274,149.99	2,546,504.89
Shandong Iron and Steel Group Zibo Zhanggang Co., Ltd.		462,036.24
Shandong Laiwu Steel Construction Co., Ltd.	267,842.71	259,764.08
Laigang Group Thaitong Industrial Co., Ltd.	603,108.57	7,301,853.87
Laiwu Iron and Steel Group Co., Ltd.	21,402,340.81	18,362,358.81
Shandong Laigang Motor Transport Co., Ltd.	2,043,116.42	2,264,488.03
Laigang Group Laiwu Mining Co., Ltd.	753,969.25	614,442.45
Laigang Group Blue Sky Business Vehicle Industry Co., Ltd.	542,926.09	6,424.31
Shandong Lubi Building Materials Co., Ltd.	297,556.97	416,180.28
Laigang Group Zibo Anchor Chain Co., Ltd.	97,939.85	372,219.35
Luyin Investment Group Co., Ltd.	4,157.98	4,157.98
Total	253,750,547.12	165,228,700.70
Other payables:		
Shandong Baode FlatBar Co., Ltd.	352.48	
Jigang Group International Engineering Technology Co., Ltd.		20,000.00
Jinan Steel International Trade Co. Ltd.	26,601,517.08	
Jigang Group Jinan Metal Products Co., Ltd.	2,518,590.01	

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Jigang Group Refractories Co., Ltd.	333,000.49;	
Jigang Group Shandong Construction Engineering Co., Ltd.	4,902,135.02	4,833,782.02
Jigang Group Commercial Trading Co., Ltd.	814,104.62	436,430.40
Jinan Iron and Steel Group Co., Ltd.	5,217,948.86	5,264,449.44
Jinan Steel Heavy Machinery Co., Ltd.	2,260,776.65	1,029,926.17
Production Service Company, Ji'nan Iron and Steel Group Corp.	23,372.00	
Jinan Baode Steel Construction Co., Ltd.		5,000.00
Jinan Baode Motor Transport Co., Ltd.	217,993.17	218,708.85
Ji'nan Huaruiyuan Decoration Engineering Co., Ltd.		16,000.00
Jinan Yellow River Blasting Engineering Co., Ltd.		3,000.00
Ji'nan Jigang Iron Alloy Factory	637,910.51	556,838.09
Shandong Iron and Steel Group Co., Ltd.	17,000,000.00	17,002,000.00
Shandong Luye Ruibao Electric Automation Co., Ltd.	414,423.64	228,934.01
Shandong Ductile Iron Pipes Co., Ltd.	9,800.00	1,246,286.48
Shandong Rongxin Investment Co., Ltd.		51,200,000.00
Shandong Xinli Metallurgical Industrial Co., Ltd.		26,230.36
Shandong Metallurgical Geological Survey's Hydrologic Survey Co., Ltd.	4,045,479.46	4,595,808.39
Shandong Metallurgical Research Institute		926,859.19
Laigang Group Mine Construction Co., Ltd.	12,877,715.58	940,994.42
Laigang Group Blue Sky Business Vehicle Industry Co., Ltd.	1,900.00	1,900.00
Laigang Group Machinery Manufacturing Co., Ltd.	153,000.00	153,000.00
Laigang Group Jinding Industrial Co., Ltd.	320,530.20	68,100.00
Laigang Group Laiwu Mining Co., Ltd.	32,900.00	32,900.00
Laigang Group Thaitong Industrial Co., Ltd.	7,000.00	7,000.00
Laiwu Iron and Steel Xinxing Liquid Gas Co., Ltd.	30,000.00	
Laigang Group Yinshan Section Steel Co., Ltd.	473,700.00	468,100.00
Laiwu Iron and Steel Group Co., Ltd.	221,100.00	215,500.00
Luyin Investment Group Co., Ltd.	61,100.00	61,100.00
Shandong Iron and Steel Group International Trade Co., Ltd.	87,999,098.14	
Shandong Laiwu Steel International Corp.		25,128,874.85
Shandong Laiwu Steel Construction Co., Ltd.	311,045.67	216,600.00
Shandong Laigang Motor Transport Co., Ltd.	86,800.00	56,800.00
Shandong Lubi Building Materials Co., Ltd.	9,000.00	9,000.00

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Shandong Luzhong Steel Logistics Co., Ltd.	192,600.00	248,600.00
Total	165,256,303.57	117,737,312.68
Long-term payables due within one year		
Jigang International Financial Leasing Co., Ltd.	308,537,227.87	
Total	308,537,227.87	
Long-term accounts payable		
Jigang International Financial Leasing Co., Ltd.	696,401,841.59	
Total	696,401,841.59	

XII. Share-based payment

The Company has no share-based payment within the reporting period.

XIII. Commitments and Contingent Events

(I) Important commitment event

The Company has no significant commitment event within the reporting period.

(II) Contingencies

1. Since the Three-party Cooperation Agreement on Confirming Warehouse Business was signed by the Company, bank and customers in 2012, the total amount involving cases in which the Company bears joint and several liability as the defendant because of the customer's default is RMB 1,185 million. As of Dec. 31, 2014, except for the lawsuit concerning Jinan Branch, Industrial Bank, in which, the jointly and severally liability was borne because of partially lose in the lawsuit, other lawsuits have been withdrawn by the plaintiff.

S/N	Plaintiff	Defendant	Case No.	Amount of object of action (Unit: ten thousand yuan)	Litigation result
1	Jinan Branch, Industrial Bank	Fujian Wanglong Trade Co., Ltd.	JSCZ [2012] No. 157, 158, 159	7,834.43	Sentence made in October 2014 Lose
2	Jinan Branch, Industrial Bank	Fujian Wanglong Trade Co., Ltd.	JSCZ [2012] No. 160	5,705.00	Sentence made in December 2013 Lose

Note: As for the confirming warehouse business between the Company and Fujian Wanglong Trade Co., Ltd., a lawsuit against the company as the defendant has been filed by Jinan Branch, Industrial Bank, because Fujian Wanglong Trade Co., Ltd. failed to deposit the bank acceptance bill in time. In 2013, Shandong City Intermediate People's Court in Ji'nan Province served the Civil Judgments numbered JSCZ [2012] No. 157, 158, 159; the verdict is that the defendants, Shandong Iron and Steel Co., Ltd. and Jinan Branch of Shandong Iron and Steel Co., Ltd. shall assume joint and several liability for the unauthorized delivery within the scope of resulting loss (namely the liability determined in item 1 of the decision). The company refused to accept the decision and appealed to the Higher People's Court of Shandong Province.

In December 2013 and 2014 October, Shandong Provincial Higher People's court served Civil Judgments numbered LSZZ [2013] No. 243 and LSZZ [2014] No. 293, 294, 295 successively the verdict is as follows: The appeal was dismissed and the original verdict was upheld.

In 2013, Ji'nan Intermediate People's Court has frozen and sealed the assets of other defendants other than the Company. The frozen and sealed assets include about RMB 105 million of bank deposit, about 28,000 square meters of commercial real estate and RMB 257 million of equity investment. According to the principle of prudence, the Company has deducted expected liability of RMB 28 million for the above lawsuits. In 2014, the related lawsuit expense of RMB 3,046,400 has been paid; at the end of 2014, the Company learned from Ji'nan Intermediate People's Court and Jinan Branch, Industrial Bank that the case is during the implementation process of freezing and seizure and the joint liability assumed by the Company is relatively small. The Company will timely understand the implementation of case and reasonably expects the loss.

2. In 2014, the Company, as the defendant, was involved in three financial loan contract dispute cases, which are all because others are suspected of forgery seal; the public security organ has set up a file for investigation; the Company will not bear any responsibility and no damage will be caused to the Company. The specific proceedings are as follows:

(1) In 2014, Wuxi Branch, China Minsheng Banking Corp has filed a lawsuit at Wuxi City Intermediate People's court, requesting an order: I. Wuxi Yuanhang Trade Co., Ltd. shall pay RMB 38,598,000 and corresponding penalty interest (calculated on the interest rate of 0.05% per day from Nov. 22, 2013 to the actual settlement date) in advance; II. Wuxi Yuanhang Trade Co., Ltd. shall assume the plaintiff's legal fees of RMB 384,700 for realizing the creditor's right; III. Wuxi Guanpeng Steel Industry Co., Ltd., Cao Yaping and Chen Jianqing shall bear joint and several liability for first and second lawsuit; IV. Shandong Iron and Steel Co., Ltd. and Jinan Branch of Shandong Iron and Steel Co., Ltd. shall immediately make compensation of RMB 38,598,000 to Wuxi Yuanhang Trade Co., Ltd.; V. The amount obtained from the plaintiff's discount or auction and sale of the collaterals under the name of Wuxi Huiyu Investment Co., Ltd., Chen Yin, Jiangsu Baoyuanzhuang Development Co., Ltd. shall enjoy the priority to have compensation; VI. Tang Xiangshan shall be liable for making compensation with the corresponding value of equity held.

Wuxi City Intermediate People's Court has initiated proceedings concerning the case numbered XSCZ [2013] No. 307; the cause is financial loan contract dispute. May 15, 2014, the Wuxi Intermediate People's Court made a XSZZ [2013] No. 0307-2 Civil Judgment based on the investigation conclusion "The seal of Ji'nan Branch of Shandong Iron and Steel Co., Ltd. was fabricated by others" made by Baoshan Branch, Ji'nan City Public Security Bureau; the verdict is as follows: The proceedings of this case have been suspended. Currently, the trail of this case has not been completed.

(2) In March 2014, Taian Xinwen Sub-branch, ICBC has filed a lawsuit at Taian City Intermediate People's court, requesting an order: I. Domestic Factoring Business Contract signed between the plaintiff and Xintai Xusheng Coal Industry Co., Ltd. shall be matured in advance; II. Laiwu Branch, Shandong Iron and Steel Co., Ltd. shall pay corresponding part of payment for products payable to Xintai Xusheng Coal Industry Co., Ltd. to the plaintiff, for repaying the following debts of Xintai Xusheng Coal Industry Co., Ltd.: 1) The principal of RMB 22 million of factoring financing borrowings and the interest, compound interest and penalty interest of borrowings; 2) the interest, compound interest and penalty interest till the amount has been fully repaid.

Taian City Intermediate People's Court has initiated proceedings concerning the case numbered TSCZ [2013] No. 40; the cause is financial loan contract dispute. Currently, the trail of this case has not been completed.

(3) In March 2014, Taian Xinwen Sub-branch, ICBC has filed a lawsuit at Taian City Intermediate People's court, requesting an order: I. Domestic Factoring Business Contract signed between the plaintiff and Taian Junxian Economic and Trade Co., Ltd. shall be matured in advance; II. Laiwu Branch, Shandong Iron and Steel Co., Ltd. shall pay corresponding part of payment for products payable to Taian Junxian Economic and Trade Co., Ltd. to the plaintiff, for repaying the following debts of Taian Junxian Economic and Trade Co., Ltd. owed: 1) The principal of RMB 30 million of factoring financing borrowings and the interest, compound interest and penalty interest of borrowings; 2) the interest, compound interest and penalty interest till the amount has been fully repaid.

Taian City Intermediate People's Court has initiated proceedings concerning the case numbered TSCZ [2013] No. 42; the cause is financial loan contract dispute. August 18, 2014, the Taian Intermediate People's Court made a TSCZ [2014] No. 42-1 Civil Judgment based on the trial results of criminal case; the verdict is as follows: The proceedings of this case have been suspended. Currently, the trail of this case has not been completed.

XIV. Significant event after the balance sheet date

January 14, 2015, the Company has received the Notice of China Securities Regulatory Commission on the Acceptance of Application for Administrative Licensing (No. 150001) issued by China Securities Regulatory Commission (hereinafter referred to as CSRC). CSRC has reviewed the administrative license application materials about "Private placement of listed company" and believed that the application materials are complete and in line with the statutory form; it is hereby decided to accept the administrative license application. As of the date when the financial statements are released, the private placement is still being reviewed by CSRC.

XV. Other significant events

According to the Motion on the Company's Private Placement adopted by the 5th extraordinary general meeting in 2014 held on Dec. 18, 2014, the shares issued through private placement is the domestically listed ordinary RMB shares (A shares), with the par value of RMB 1 per share, with the number of shares issued of not more than 2,762,440,000 shares and the issue price of not less than RMB 1.81 / share; totally no more than RMB 5 billion will be raised (including issuance fee).

XVI. Annotations to the financial statements of the Company

1. Accounts receivable

(1) Classification and disclosure and of accounts receivable

Category	Year-end balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Accounts receivable for which provision for bad debts is made and for which a single item has significant amount					
Accounts Receivable Whose Bad Debt Reserves shall be Withdrawn					

Shandong Iron and Steel Company Limited, Laiwu Company
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Based on Combination of Credit Risk Characteristics					
Combination 1: Accounts receivable of large single amount and with bad debt reserves drawn by aging combinations	264,993,104.71	89.60	71,923,609.81	27.14	193,069,494.90
Combination 2: The accounts receivable without impairment that shall accept impairment testing individually	23,333,165.30	7.89			23,333,165.30
Combination Subtotal	288,326,270.01	97.49	71,923,609.81	24.95	216,402,660.20
Total amounts of accounts receivable which single amount is not significant and has deducted the provision for bad debts	7,411,736.38	2.51	7,411,736.38	100.00 ¹	
Total	295,738,006.39	100.00	79,335,346.19	26.83	216,402,660.20

(Continued)

Category	Year-opening balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Accounts receivable for which provision for bad debts is made and for which a single item has significant amount					
Accounts Receivable Whose Bad Debt Reserves shall be Withdrawn Based on Combination of Credit Risk Characteristics					
Combination 1: Accounts receivable of large single amount and with bad debt reserves drawn by aging combinations	353,146,637.04	95.95	66,386,580.76	18.80	286,760,056.28
Combination 2: The accounts receivable without impairment that shall accept impairment testing individually	7,501,714.71	2.04			7,501,714.71
Combination Subtotal	360,648,351.75	97.99	66,386,580.76	18.41	294,261,770.99
Total amounts of accounts receivable which single amount is not significant and has deducted the provision for bad debts	7,411,736.38	2.01	7,411,736.38	100.00	

Total	368,060,088.13	100.00	73,798,317.14	20.05	294,261,770.99
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① In the combination, the provision for bad debts of accounts receivable is deducted by means of aging analysis method:

Account age	Year-end balance		
	Accounts receivable	Bad debt provision	Provision proportion (%)
Within 1 year	135,619,001.95	6,780,950.09	5.00
1-2 years	12,483,872.96	1,248,387.30	10.00
2-3 years	66,933,596.31	20,080,078.90	30.00
3-4 years	4,269,628.99	3,415,703.19	80.00
4-5 years	7,198,137.12	5,758,509.70	80.00
Over 5 years	38,488,867.38	34,639,980.63	90.00
Total	264,993,104.71	71,923,609.81	

② In the combination, the accounts receivable without impairment that shall accept impairment testing individually

Item	Year-end balance		
	Accounts receivable	Bad debt provision	Provision proportion (%)
Lai gang Wuxi Economic and Trade Co., Ltd.	16,338,377.44		
Laiwu Tianyuan Gas Co., Ltd.	5,468,994.47		
Laiwu Steel Shanghai Economic and Trade Co., Ltd.	1,525,793.39		
Total	23,333,165.30		

(2) The provisions of bad debts accrued, recovered or reversed in the current year:

The amount of provision made for bad debt is RMB 5,602,504.69; there is no provision for bad debt that cannot be recovered or reversed in this year.

(3) The top five accounts receivable in terms of balance at the end of period according to the borrowers:

The total amount of the top five accounts receivable at the end of the period listed according to the borrowers is RMB 120,337,706.04, accounting for 40.69% of the total balance of accounts receivable in this year; the total amount of the accrued balance of provision for bad debts at the end of period is RMB 18,046,078.69.

2. Other accounts receivable

(1) Classification and disclosure of other accounts receivable

Category	Year-end balance				Book value
	Book balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Provision proportion %	

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Total amounts of other accounts receivable which single amount is significant and has deducted the bad debt reserve in single item	242,131,016.35	33.55	242,131,016.35	100.00	
Other accounts Receivable Whose Bad Debt Reserves shall be Withdrawn Based on Combination of Credit Risk Characteristics					
Combination 1: The other accounts receivable of which the provision for bad debts is deducted according to the combination of account age	151,387,907.90	20.98	14,566,591.19	9.62	136,821,316.71
Combination 2: The other accounts receivable without impairment that shall accept impairment testing individually	326,940,620.01	45.31			326,940,620.01
Combination Subtotal	478,328,527.91	66.29	14,566,591.19	3.05	305,463,76
Total amounts of other accounts receivable which single amount is not significant and has withdrawn the provision for bad debts	1,149,559.50	0.16	1,149,559.50	100.00	
Total	721,609,103.76	100.00	257,847,167.04	35.73	463,761,936.72

(Continued)

Category	Year-opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Total amounts of other accounts receivable which single amount is significant and has deducted the bad debt reserve in single item	245,020,562.45	36.40	245,020,562.45	100.00	
Other accounts Receivable Whose Bad Debt Reserves shall be Withdrawn Based on Combination of Credit Risk Characteristics					
Combination 1: The other accounts receivable of which the provision for bad debts is deducted according to the combination of account age	48,023,658.43	7.13	6,389,353.73	13.30	41,634,304.70
Combination 2: The other accounts receivable without impairment that shall accept impairment testing	370,618,830.13	55.06			370,618,830.13

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individually					
Combination Subtotal	418,642,488.56	62.19	6,389,353.73	1.53	412,253,134.83
Accounts Receivable Whose Single Amount is Not Significant but the Bad Debt Reserve is Withdrawn in the Single Item	9,487,333.10	1.41	1,149,559.50	12.12	8,337,773.60
Total	873,150,384.11	100.00	252,559,475.68	37.52	420,590,908.43

① Total amounts of other accounts receivable which single amount is significant and has deducted the bad debt reserve in single item at the end of the year

Other accounts receivable (by unit)	Year-end balance			
	Other receivables	Bad debt provision	Provision proportion (%)	Reason for making provision
Kunlun Securities Co., Ltd.	224,064,922.90	224,064,922.90	100.00	The company has been bankrupted and gone into liquidation
Jining Yuanda Steel Co., Ltd.	18,066,093.45	18,066,093.45	100.00	It is individually identified and it is difficult to be recovered
Total	242,131,016.35	242,131,016.35	---	---

② In the combination, the provision for bad debts of other accounts receivable is deducted by means of aging analysis method:

Account age	Year-end balance		
	Other receivables	Bad debt provision	Provision proportion (%)
Within 1 year	133,881,271.98	6,694,063.60	5.00
1-2 years	5,281,293.56	528,129.35	10.00
2-3 years	5,128,322.52	1,538,496.74	30.00
3-4 years	5,813,663.58	4,650,930.87	80.00
4-5 years	500.00	400.00	80.00
Over 5 years	1,282,856.26	1,154,570.63	90.00
Total	151,387,907.90	14,566,591.19	9.62

③ In the combination, other accounts receivable without impairment that shall accept impairment testing individually

Item	Year-end balance		
	Accounts receivable	Bad debt provision	Provision proportion (%)
Shandong Laigang Huanyou Chemical Energy Co., Ltd.	160,035,277.99		
Imported ore VAT	85,521,623.24		
Not deducted value added tax	70,326,437.57		
Laiwu Tianyuan Gas Co., Ltd.	6,178,034.67		
Reserve funds, etc.	4,879,246.54		
Total	326,940,620.01		

(2) The provisions of bad debts accrued, recovered or reversed in the current year:

The amount of provision made for bad debt is RMB 8,177,237.46; the amount of provision for

bad debt that cannot be reversed in this year is RMB 2,889,546.10.

Among them, important provision for bad debt reversed or recovered in this year

Company Name	Amount reversed or recovered	Mode of recovery
Kunlun Securities Co., Ltd.	2,889,546.10	Transfer
Total	2,889,546.10	

Note: The credit of bankrupt of Kunlun Securities Co., Ltd. recovered in this reporting period is RMB 2,889,546.10; the bankrupt case is still ongoing.

(3) Classification of other accounts receivable by the nature of amount

Nature of amount	Year-end book balance	Year-opening book balance
Reserve funds	4,160,957.88	4,201,330.97
Margin and deposit	10,153,284.83	5,626,924.44
Tax deductible	155,848,060.81	166,666,928.50
Suspense payment	139,543,880.33	33,635,570.28
Bad claim	242,131,016.35	245,020,562.45
Internal capital involving	166,213,312.66	179,823,204.64
Other	3,558,590.90	38,175,862.83
Total	721,609,103.76	673,150,384.11

(4) The top five other accounts receivable in terms of balance at the end of period according to the borrowers

Company Name	Nature of amount	Year-end balance	Account age	Proportion to the total year-end balance of other accounts receivable (%)	Year-end balance of bad debt reserves
Kunlun Securities Co., Ltd.	Bad claim	224,064,922.90	Over 5 years	31.05	224,064,922.90
Shandong Laigang Huanyou Chemical Energy Co., Ltd.	Internal capital involving	160,035,277.99	Within 1 year	22.18	
Shandong Laiwu Steel International Corp.	Payment for export agency	111,266,653.57	Within 1 year	15.42	5,563,332.88
Imported ore VAT	Tax deductible	85,521,623.24	Within 1 year	11.85	
Not deducted value added tax	Tax deductible	70,326,437.57	Within 1 year	9.75	
Total	—	651,214,915.27	—	90.25	229,628,255.58

3. Long-term equity investment

(1) Classification of long-term credit investment

Item	Year-end balance			Year-opening balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Investments in subsidiaries	2,148,587,560.00		2,148,587,560.00	2,148,587,560.00		2,148,587,560.00

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Investment in associated companies and joint ventures	15,075,550.52		15,075,550.52	14,855,359.78		14,855,359.78
Total	2,163,663,110.52	-	2,163,663,110.52	2,163,442,919.78	-	2,163,442,919.78

(2) Investment in subsidiaries

Invested entities	Year-opening balance	Increase in current year	Decrease in current year	Year-end balance	Deducted impairment reserves of this year	Year-end balance of depreciation reserves
Laigang Wuxi Economic and Trade Co., Ltd.	16,059,980.50			16,059,980.50		
Qingdao (Guangdong) Economic and Trade Co., Ltd.	60,811,425.62			60,811,425.62		
Laiwu Steel Shanghai Economic and Trade Co., Ltd.	9,000,000.00			9,000,000.00		
Qingdao Laiwu Steel Economic and Trade Co., Ltd.	15,667,786.21			15,667,786.21		
Laiwu Lida Logistics Co., Ltd.,	17,567,834.88			17,567,834.88		
Shandong Laigang Huanyou Chemical Energy Co., Ltd.	300,036,222.19			300,036,222.19		
Laigang Metallurgy Ecological Engineering Technology Co., Ltd.	5,100,000.00			5,100,000.00		
Laiwu Iron and Steel Electric Co., Ltd.	94,331,994.07			94,331,994.07		
Laiwu Tianyuan Gas Co., Ltd.	858,661,072.02			858,661,072.02		
Nanjing Jigang Economic and Trade Co., Ltd.	5,000,000.00			5,000,000.00		
Heze Jigang Economic and Trade Co., Ltd.	2,750,000.00			2,750,000.00		
Shanghai Jigang Economic and Trade Co., Ltd.	15,300,000.00			15,300,000.00		
Wuxi Jigang Economic and Trade Co., Ltd.	5,000,000.00			5,000,000.00		
Xi'an Jigang Economic and Trade Co., Ltd.	5,000,000.00			5,000,000.00		
Jigang Baode Gas Co., Ltd.	698,301,244.51			698,301,244.51		
Tianjin Jigang Economic and Trade Co., Ltd.	5,000,000.00			5,000,000.00		
Hangzhou Jigang Industrial Co., Ltd.	5,000,000.00			5,000,000.00		
Qingdao Jigang Economic and	30,000,000.00			30,000,000.00		

Shandong Iron and Steel Company Limited, Laiwu Company
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Trade Co., Ltd.					
Total	2,148,587,560.00			2,148,587,560.00	

(3) Investment in associated companies and joint ventures

Invested entities	Year-opening balance	Increase/decrease in this year			Investment gains and losses recognized by the equity method	Adjustment of other comprehensive income	Other changes in equity
		Increased investment	Decreased investment				
I. Joint ventures							
Bisalloy Jigang (Shandong) Steel Plate Co., Ltd.	14,855,359.78				1,748,417.74		
Total	14,855,359.78				1,748,417.74		

(Continued)

Invested entities	Increase/decrease in this year			Year-end balance	Year-end balance of depreciation reserves
	Cash dividends or profits declared	Accrued depreciation reserves	Other		
I. Joint ventures					
Bisalloy Jigang (Shandong) Steel Plate Co., Ltd.	1,528,227.00			15,075,550.52	
Total	1,528,227.00			15,075,550.52	

4. Operating income and operating cost

Item	The amount incurred in current year		The amount incurred in the previous year	
	Income	Cost	Income	Cost
Main business	47,129,433,974.41	45,243,341,731.50	52,877,124,522.57	50,499,681,310.98
Other business	4,036,277,701.20	4,009,998,403.87	8,598,912,863.37	8,063,071,596.95
Total	51,165,711,675.61	49,253,340,135.37	61,476,037,385.94	58,562,752,907.93

5. Investment income

Item	The amount incurred in current year	The amount incurred in the previous year
Investment income incurred from the long-term equity investment calculated according to the cost method	3,060,000.00	1,713,233.49
Investment income incurred from the long-term equity investment calculated according to the equity method	1,748,417.74	1,694,907.68
Investment income incurred from disposal of long-term equity investment		452,068,887.21
Investment income of disposal of financial assets measured by fair value and whose changes should be put into current profit and loss in the holding period	-88,326.24	
Profit from the disposal of available-for-sale financial assets	1,169,022.52	476,239.74

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Total	5,889,114.02	455,953,268.12
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XVII. Supplementary materials

1. List of non-recurring profits and losses of this year

Item	Amount	Note
Profit or loss from dealing with non-current assets	-13,278,639.40	
Surpassing approval, or without official approval document, or incidental tax return and relief		
The government grants included in the current profit and loss, except for the government grants that are related with the Company's normal operations, in line with the provisions of the national policies and enjoyed according to certain standard quota and fixed quantity	7,800,277.01	
The payment for the use of funds charged from the non-financial enterprises that is included in the current profit or loss		
The income generated by the fair value of identifiable net assets of the investees that shall be shared when the investment cost of the enterprise for obtaining the subsidiaries, associates and joint ventures is less than the acquisition investment		
Profit or loss from non-monetary assets exchange		
Profit or loss from the assets entrusted others to be invested or managed		
The provision made for impairment of assets because of force majeure factors, such as the natural disasters		
Other reorganization profit or loss		
Enterprise restructuring charges, such as the expenses of employee placement and integration charges		
The transaction with unfair trading price indicates the part of gain and loss exceeded the fair value		
The current net profit and loss from the subsidiary established by the merger of enterprises under the same control from the beginning of the year to the merger date		
The profit and loss generated by the contingent events not related with the Company's normal operations		
Except for the effective hedging business related to normal operating business of the Company, gains and losses of change in fair value incurred from holding trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	1,080,696.28	
Reversing of provision for the impairment of receivables that receives the individual impairment testing	2,889,546.10	
Profit and loss from the externally entrusted loans		
The profit and loss generated by the changes in the fair value of investment property that receives the subsequent measurement by using the fair value model		
The impact of one-time adjustment made to the profit or loss in accordance with the requirements of laws and regulations concerning the tax and accounting		
The hosted fee income obtained from the entrusted operation		
Non-business income and expenditure other than the above items	-10,032,457.84	

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Other profits and losses items that are in line with the definition of non-recurring profits and losses		
Subtotal	-11,540,577.85	
Income tax influence amount	-450,315.16	
Minority equity influence amount (after-tax)	-468,294.17	
Total	-12,459,187.18	

Note: In non-recurring profits and losses, the number with “+” indicates profit and income; the number with “-” indicates loss or expense.

The Company has no non-recurring profit/loss item as illustrated in the Explanatory Announcement No.1 on information Disclosure for Companies offering their securities to the public-non-recurring Gains and losses which have been defined as recurring profit and loss.

2. Return on equity and earnings per share

Profits in reporting period	Weighted average net assets	Earnings per share	
	Return ratio (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to common stockholders of the Company	-11.3592	-0.2173	-0.2173
Net profit attributable to common stockholders of the Company after deducting non-recurring gains and losses	-11.2580	-0.2153	-0.2153

3. Supplementary information on accounting policy change

The Company has changed related accounting standards and has made retrospective restatement of comparative financial statements in accordance with eight accounting standards including *Accounting Standards for Enterprises No.2 - Long-term Equity Investments* (2014 Revision) issued by the Ministry of Finance in 2014; the re-stated consolidated balance sheets as of January 1, 2013 and December 31, 2013 are as follows:

Shandong Iron and Steel Company Limited, Laiwu Company
Exhibit A-3.11-1
PUBLIC RECORD

Retroactive and Restated Consolidated Balance Sheet

Prepared by: Shandong Iron and Steel Co., Ltd.

Unit: RMB Yuan

Item	Annotation	Jan. 1, 2013	Dec. 31, 2013	Dec. 31, 2014
Current assets:				
Monetary funds		2,814,217,531.93	2,116,160,163.13	2,216,684,330.99
Settlement provisions				
Loans to banks and other financial institutions				
Financial assets measured by fair value and whose changes should be put into current profit and loss		59,932,195.49		
Derivative financial assets				
Notes receivable		2,275,093,528.71	3,320,678,822.10	885,309,228.52
Accounts receivable		4,005,891,102.89	461,603,381.91	382,664,479.01
Advanced payment		589,174,863.14	414,809,750.89	809,835,438.44
Interest receivable				
Dividends receivable				
Other receivables		237,596,289.15	275,369,787.43	309,855,506.79
Inventories		5,661,020,918.74	6,428,957,708.54	4,087,448,000.42
Assets classified as held-for-sale assets				
Non-current assets due within one year				
Other current assets		939,215.33	245,217.18	132,460,081.08
Total current assets		15,643,865,645.38	13,017,824,831.18	8,824,257,065.25
Non-current assets:				
Financial assets available for sale		183,400,000.00	183,400,000.00	183,400,000.00
Held-to-maturity investments				
Long-term receivables				
Long-term equity investment		9,947,942.10	14,855,359.78	15,075,550.52
Investment real estates				
Fixed assets		33,693,942,598.04	33,554,196,279.12	35,950,644,823.89
Construction in progress		3,407,144,828.73	4,542,807,078.74	1,657,489,762.62
Construction materials				
Disposal of fixed assets		11,458,802.38	1,137,354.98	10,340,757.40
Productive living assets				
Oil and gas assets				
Intangible assets		138,449,917.98	159,362,712.31	156,001,896.60
Development expenditure				
Goodwill				
Long-term prepaid expenses		434,470.83	191,920.71	
Deferred income tax assets		112,411,191.16	80,993,736.32	76,333,638.36
Other non-current assets				89,187,461.94
Total non-current assets		37,557,189,751.22	38,536,944,441.96	38,138,473,891.33
Total assets		53,201,055,396.60	51,554,769,273.14	46,962,730,956.58

Shandong Iron and Steel Company Limited, Laiwu Company
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PUBLIC RECORD

(Continued from previous page)

Retroactive and Restated Consolidated Balance Sheet (Cont.)

Prepared by: Shandong Iron and Steel Co., Ltd.

Unit: RMB Yuan

Item	Annotation	Jan. 1, 2013	Dec. 31, 2013	Dec. 31, 2014
Current liabilities:				
Short-term loans		17,369,080,255.87	11,461,552,780.21	13,306,070,473.22
Financial liabilities measured by fair value and the changes should be put into current profit and loss		3,934,457.22		
Derivative financial liabilities				
Notes payable		477,944,641.39	802,743,669.74	1,221,950,000.00
Accounts payable		10,578,382,504.86	18,467,538,878.86	12,092,488,534.79
Advances from customers		2,685,509,646.32	2,068,880,434.68	1,833,821,781.96
Employee remuneration payable		227,915,207.78	270,108,161.37	495,587,611.72
Tax payable		-152,140,899.68	-18,658,814.55	50,417,354.41
Interest payable		160,426,519.92	112,563,866.70	100,972,287.68
Dividends payable		1,694,029.60	1,694,029.60	1,694,029.60
Other payables		454,654,526.94	513,428,985.25	635,634,363.02
Liabilities classified as held-for-sale assets				
Non-current liabilities due within one year		4,652,712,557.40	225,600,000.00	2,242,275,039.26
Other current liabilities		2,822,564.10	2,613,277.01	
Total current liabilities		36,462,936,011.72	33,908,065,268.87	31,980,911,475.66
Non-current Liabilities:				
Long-term loans		1,779,322,706.13	2,506,906,799.36	483,409,375.53
Bonds payable		2,000,000,000.00	2,000,000,000.00	2,000,000,000.00
Incl.: Preferred stock				
Perpetual bond				
Long-term accounts payable				696,401,841.59
Long-term accrued payroll payable				49,691,483.98
Special payables				
Expected liabilities			28,000,000.00	24,953,563.40
Deferred income		39,098,205.13	52,023,976.76	62,163,976.76
Deferred income tax liabilities		10,904,631.50		
Other non-current liabilities				
Total non-current liabilities		3,829,325,542.76	4,586,930,776.12	3,316,620,241.26
Total liabilities		40,292,261,554.48	38,494,996,044.99	35,297,531,716.92
Shareholder's equity:				
Equity		6,436,295,797.00	6,436,295,797.00	6,436,295,797.00
Other equity instruments				
Incl.: Preferred stock				

Shandong Iron and Steel Company Limited, Laiwu Company
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Perpetual bond				
Capital reserves		7,681,867,607.85	7,664,456,219.41	7,664,456,219.41
Less: Treasury stock				
Other comprehensive income		-17,311,271.99		
Special reserves		11,570,850.91	11,783,348.83	13,723,585.67
Surplus reserves		715,200,012.60	715,200,012.60	715,200,012.60
Reserve for universal-risk				
Undistributed profits		-1,976,952,161.17	-1,818,657,333.80	-3,217,071,648.57
Total shareholders' equity attributable to the parent company		12,850,670,835.20	13,009,078,044.04	11,612,603,966.11
Minority interests		58,123,006.92	50,695,184.11	52,595,273.55
Total shareholder's equity		12,908,793,842.12	13,059,773,228.15	11,665,199,239.66
Total liabilities and shareholder's equity		53,201,055,396.60	51,554,769,273.14	46,962,730,956.58