



# Chongqing Iron & Steel Company Limited

## 重慶鋼鐵股份有限公司

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

(Stock code: 1053)

### THIRD QUARTERLY REPORT 2007

#### 1 IMPORTANT NOTICE

- 1.1 It is hereby confirmed by the board of directors (the “Board”), the supervisory committee and the directors, supervisors and senior management of the Company (the “Company”) that this report contains no false representation, misleading information or material omission. The Board of the Company jointly and severally accepts full responsibility for the truthfulness, accuracy and completeness of the contents of this report.
- 1.2 All directors of the Company attended the Board meeting.
- 1.3 The A shares of the Company were listed on 28 February 2007, therefore, no comparative data from July to September of last year in this report is available in the relevant accounting data and indicators since no third quarterly financial report of 2006 was disclosed .
- 1.4 The third quarterly financial report of the Company was unaudited.
- 1.5 Mr. Luo Fu Qing, the Chairman, Ms. Song Ying, the person-in-charge of accounting and the Head of the accounting department, warranted the authenticity and completeness of the financial statements set out in this quarterly report.

## 2 COMPANY INFORMATION

### 2.1 Financial Highlights and Indicators

*Currency: RMB*

	<b>The end of the reporting period</b>	<b>The end of last year</b>	<b>Changes from the end of last year</b>
Total assets (RMB'000)	10,714,169	8,841,435	21.18
Shareholders' fund (excluding minority interest) (RMB'000)	5,175,747	3,975,980	30.18
Net asset per share (RMB)	2.99	2.87	4.18
		<b>From the beginning of the year to the end of the reporting period (Jan. - Sept.)</b>	<b>Changes from the same period of last year (%)</b>
Net cash generated from operating activities (RMB'000)		910,897	31.46
Net cash flow per share generated from operating activities (RMB)		0.53	4.91

	<b>Reporting period ( Jul - Sept.)</b>	<b>From the beginning of the year to the end of the reporting period (Jan. - Sept.)</b>	<b>Changes from the same period of last year (%)</b>
Net Profit (RMB'000)	143,526	405,029	
Basic earnings per share (RMB)	0.08	0.24	
Basic earnings per share after extraordinary profit (loss) (RMB)	—	0.25	—
Diluted earnings per share (RMB)	0.08	0.24	
Yield of net asset (%)	2.81	8.31	
Yield of net asset after deducting extraordinary profit (loss) (%)	2.84	8.48	

<b>Extraordinary items</b>	<b>From the beginning of the year to the end of the reporting period ( Jan. - Sept.) (RMB'000)</b>
Profit(loss) from disposal of non-current assets	6,619
Other extraordinary items	1,653
Total	<u>8,272</u>

## 2.2 Total number of shareholders and shares held by top 10 holders of unrestricted circulating shares as at the end of the reporting period

*Unit: share*

Total number of shareholders at the end of reporting period 125,305

### Shares held by top 10 holders of unrestricted circulating shares

Shareholders' name (Full name)	Unrestricted circulating shares held at the end of the reporting period	Class
HKSCC NOMINEES LIMITED	532,893,070	Overseas listed foreign shares
中信證券－工行 －CREDIT SUISSE (HONG KONG) LIMITED	2,500,000	RMB ordinary shares
深圳市麗莎置業有限公司	2,199,214	RMB ordinary shares
深圳市汕開源商貿有限公司	1,167,900	RMB ordinary shares
深圳市金村投資股份有限公司	944,597	RMB ordinary shares
中國人壽保險股份有限公司－傳統 －普通保險產品－005L－CT001滬	879,412	RMB ordinary shares
泰康人壽保險股份有限公司－傳統 －普通保險產品－019L－CT001滬	879,412	RMB ordinary shares
華寶信託有限責任公司	879,412	RMB ordinary shares
浙商證券有限責任公司	879,412	RMB ordinary shares
兵器財務有限責任公司	879,412	RMB ordinary shares

### 3 SIGNIFICANT EVENT

#### 3.1 Significant changes of the principal accounting statement and financial indicators and the reasons therefor

Applicable                       Not applicable

Shareholders' equity in the reporting period increased by 30.18% as compared with the end of last year, which was mainly attributable to the increase of the RMB0.35 million in share capital due to the A Share.

Net cash flow from operating activities increased by 31.46% from the beginning of the year to the ending of the reporting period as compared with the same period of last year, mainly due to the increase in the cash received from the sale of products and provision of services which amounted to RMB2.125 billion.

#### 3.2 Significant events and analysis on their impact and solutions

Applicable                       Not applicable

##### *(1) The 1st Extraordinary General Meeting for 2007*

The 1st extraordinary general meeting for 2007 of the Company was held on 23 August 2007. At the meeting, the proposal for the respective resignation of Mr. Tu De Ling and Ms. Yuan Xue Bing from director and from supervisor of the Company with effect from 26 June 2007 was passed, and the election of Ms. Gong Jun as shareholder's representative supervisor. Reference to the announcements was published on China Securities Journal, Shanghai Securities News and Securities Times Daily, Wen Wei Po, The Standard, Shanghai Securities Exchange, Stock Exchange of Hong Kong, and the Company dated 24 August 2007 for details.

(2) *Construction of the Production Lines for 4100 Mm Wide-Thick Steel Plates*

The Seventh Meeting of the Fourth Board of Directors of the Company was held on 18 September 2007 and resolved unanimously to invest in the construction of production lines in the Changshou Yan Jia Industrial Park, Chongqing. The total investment was approximately RMB1,900,000,000 which will be financed by internal funds of the Company and bank financing. The project is planned to commence in 2007 and is expected to be completed and put into production in 2009 with a construction period of 22 months. Through the investment in the construction project, the Company aims to fully leverage the cutting edge of the Company on the technology, management and customer groups of medium-gauge steel plates to further optimise the product mix of the Company, and to increase the market share of high value-added products; furthermore, it is to provide steel plates for various industries for the purpose of meeting different customers' demand and improving the market competitiveness of the Company. Meanwhile, it is also to fill the blank of West China for lacking in production lines of wide-thick steel plates to achieve the sustainable, steady and healthy growth of the Company.

For details please refer to the announcements published on China Securities Journal, Shanghai Securities News and Securities Times Daily, Wen Wei Po, The Standard, Shanghai Securities Exchange, Hong Kong Stock Exchange, and the Company dated 19 September 2007 for details. On 9 October 2007, the Company despatched the Circular to the holders of H shares which were simultaneously published on Shanghai Stock Exchange, Stock Exchange of Hong Kong and the Company in accordance with the Listing Rules of the Stock Exchange of Hong Kong.

**3.3 Performance of undertakings given by the Company, shareholders and beneficial Shareholder**

Applicable                       Not applicable

The controlling shareholders of the Company, Chongqing Iron & Steel Company (Group) Limited, has undertaken within a period of 36 months from the date of listing (i.e. 28 February 2007) of the A Shares, it will not transfer or nominate any other persons to manage or deal with its A Shares and will not proceed with any re-purchase of such A Shares by the Company.

As at the date of this report, the Company and its controlling shareholders did not breach the commitment.

**3.4 Warning and explanation on reasons for accumulated net loss expected to be recorded from the beginning of the year to the end of the next reporting period and material change as compared to those of the same period of last year**

Applicable                       Not applicable

**3.5 Other Significant Events Necessary for Explanation**

*3.5.1 Shares of Other Listed Companies Held by the Company*

Applicable                       Not applicable

*3.5.2 Shares of Other Non-Listed Financial Companies and Companies to Be Listed Held by the Company*

Applicable                       Not applicable

**Chongqing Iron & Steel Company Limited**

*Legal Representative: Luo Fu Qing*

## 4 APPENDIX

### Balance Sheet

30 September 2007

Prepared by: Chongqing Iron & Steel Company Limited

*Unit: RMB'000, Unaudited*

<b>Items</b>	<b>Balance at the end of the reporting period</b>	<b>Balance at the beginning of the year</b>
<b>Current Assets:</b>		
Cash and bank deposit	1,015,912	377,642
Trading financial assets		
Bills receivables	691,434	350,504
Trade receivables	443,862	179,398
Prepayments	611,898	147,156
Interest receivables		
Dividends receivables		
Other receivables	13,200	11,005
Inventories	1,992,884	2,146,968
Non-current assets due within 1 year		
Other current assets		
<b>Total current assets</b>	<b>4,769,190</b>	<b>3,212,673</b>



**Non-current assets:**

Financial assets available for sale

Held-to-maturity investments

Long-term loan receivables

Long-term investment in equity 5,000 5,000

Investment properties

Fixed assets 5,134,298 4,767,865

Construction-in-progress 680,745 671,926

Construction materials 39,559 108,218

Disposals of fixed assets

Productive biological assets

Fuel assets

Intangible assets 26,590 10,215

Development expenses

Goodwill

Amortization long-term payment

Deferred income tax assets 2,938 2,938

Other non-current assets 55,850 62,600

Total non-current assets 5,944,979 5,628,762

Total assets 10,714,169 8,841,435

**Current liabilities:**

Short-term borrowings 1,991,491 1,826,653

Trading financial liabilities

Bill payables 110,000

Trade payables 1,267,436 1,073,647

Receivables in advance 928,193 668,165

Staff remuneration payables 18,527 16,296

Tax payables 38,439 32,176

Interest payables

Dividend payables

Other payables 202,020 89,480

Non-current liabilities due within 1 year 371,000 521,000

Other current liabilities

Total current liabilities 4,817,105 4,337,417

**Non-current liabilities:**

Long term borrowings	635,000	295,000
Debenture payables		
Long-term payables	1,160	1,160
Project expenses payables	15,682	15,981
Estimated liabilities		
Deferred income tax liabilities		
Other non-current liabilities	69,474	215,897
Total non-current liabilities	721,316	528,038

Total liabilities	5,538,422	4,865,455
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**Owner's equity (or shareholders' equity):**

Capital (or share capital) received	1,733,127	1,383,127
Capital reserve	1,164,384	546,333
Less: Treasury stock		
Surplus reserve	461,926	461,926
Undistributed profit	1,816,310	1,584,594
Total owner's equity (or shareholders' equity)	5,175,747	3,975,980

Total liabilities and owner's equity (or shareholders' equity)	10,714,169	8,841,435
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*Company legal representative:* **Luo Fu Qing**      *Person-in-charge for accounting:* **Song Ying**      *Head of accounting department:* **Song Ying**

## Income statement

January-September 2007

Prepared by: Chongqing Iron & Steel Company Limited

Unit: RMB'000 Unaudited

Item	Amount for the period (July - September)	Amount for last period (July- September)	Amount from the beginning of the year to the end of the reporting period (January- September)	Amount from the beginning of last year to the end of the reporting period (January- September)
1. Operating income	3,299,540		9,041,392	6,977,151
Less: Cost of operation	2,966,090		8,046,878	6,393,953
Business tax and surcharge	100		262	
Distribution expenses	67,117		178,049	138,466
Administrative expenses	59,715		193,544	150,980
Finance expenses	57,001		161,406	130,405
Impairment loss	2,259		22,952	(2,462)
Add: Gain from change in fair value (loss is represented by "-")				
Gain from investment (loss is represented by "-")				
Including: (Gains from investment in associates and joint ventures				
2. Operating profit (loss is represented by "-")	147,258		438,301	165,809
Add: Non-operating income	5,717		8,247	2,048
Less: Non-operating expenses	9,449		16,520	4,902
Including: Loss from disposal of non-current assets				

3.	Total profit (loss is represented by “-”)	143,526		430,029	162,955
	Less: Income tax			25,000	667
		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
4.	Net profit (loss is represented by “-”)	143,526		405,029	162,288
		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
5.	Earnings per share (Rmb):				
	i) Basic earnings per share	0.08		0.24	0.12
	ii) Diluted earnings per share	0.08		0.24	0.12
		<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

*Company legal representative:* **Luo Fu Qing**      *Person-in-charge for accounting:* **Song Ying**      *Head of accounting department:* **Song Ying**

## Cash flow statement

Jan-Sep 2007

Prepared by: Chongqing Iron & Steel Company Limited

*Unit: RMB'000, Unaudited*

<b>Item</b>	<b>Amount from the beginning of the year to the end of the reporting period (Jan-Sep)</b>	<b>Amount from the beginning of last year to the end of the reporting period (Jan-Sep)</b>
1. Cash flow from operating activities:		
Cash received from sale of goods and provision of services	10,249,081	8,123,890
Tax rebates		
Other cash received from activities related to operation	8,040	3,950
Sub-total of cash inflow from operating activities	10,257,121	8,127,840
Cash paid for goods purchased and service rendered	8,103,745	6,433,817
Cash paid to or paid for employee	531,520	449,172
Taxes paid	490,336	380,165
Other cash paid for activities related to operation	220,623	171,770
Cash outflow from operating activities	9,346,224	7,434,924
Net cash flow from operating activities	<u>910,897</u>	<u>692,916</u>

<b>2. Cash flow from investment activities:</b>		
Cash received from investment		
Cash received from gains in investment		
Net cash received from disposal of fixed assets, intangible assets and other long term assets	(6,619)	1,710
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received from activities related to investment		
Sub-total of cash inflow from investment activities	(6,619)	1,710
Cash paid for purchase of fixed assets, intangible assets and other long term assets	830,552	634,327
Cash paid for investment		
Net cash paid for acquiring subsidiaries and other operating entities		
Other cash paid for activities related to investment		
Sub-total of cash outflow from investment activities	830,552	634,327
Net cash flow from investment activities	<u>(837,170)</u>	<u>(632,617)</u>
<b>3. Cash flow from financing activities:</b>		
Proceeds received from financing activities	977,260	
Cash received from borrowings	774,320	731,760
Other cash received from financing-related activities	61,000	261,000
Sub-total of cash inflow from financing activities	1,812,580	992,760
Cash paid for repayment	420,380	567,730
Cash paid for dividend and profit distribution or interest repayment	313,920	282,371
Other cash paid for financing-related activities	171,000	245,000
Sub-total of cash outflow from financing activities	905,300	1,095,101
Net cash flow from financing activities	<u>907,280</u>	<u>(102,341)</u>

