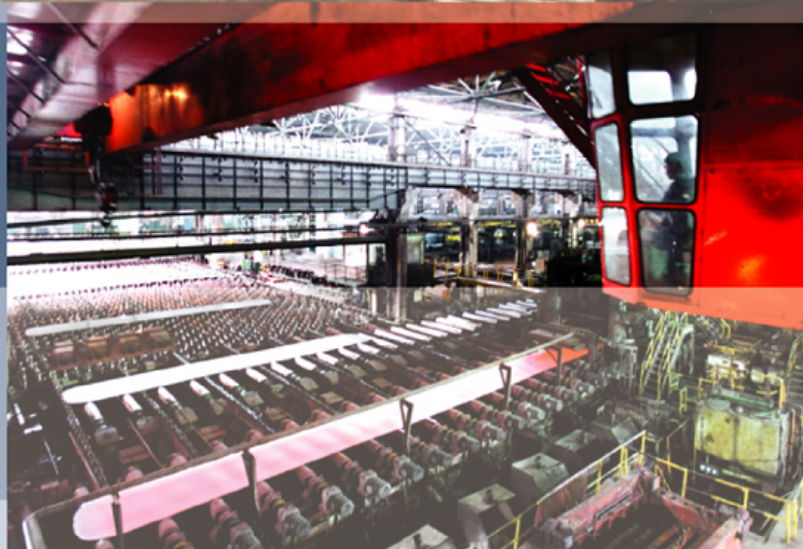
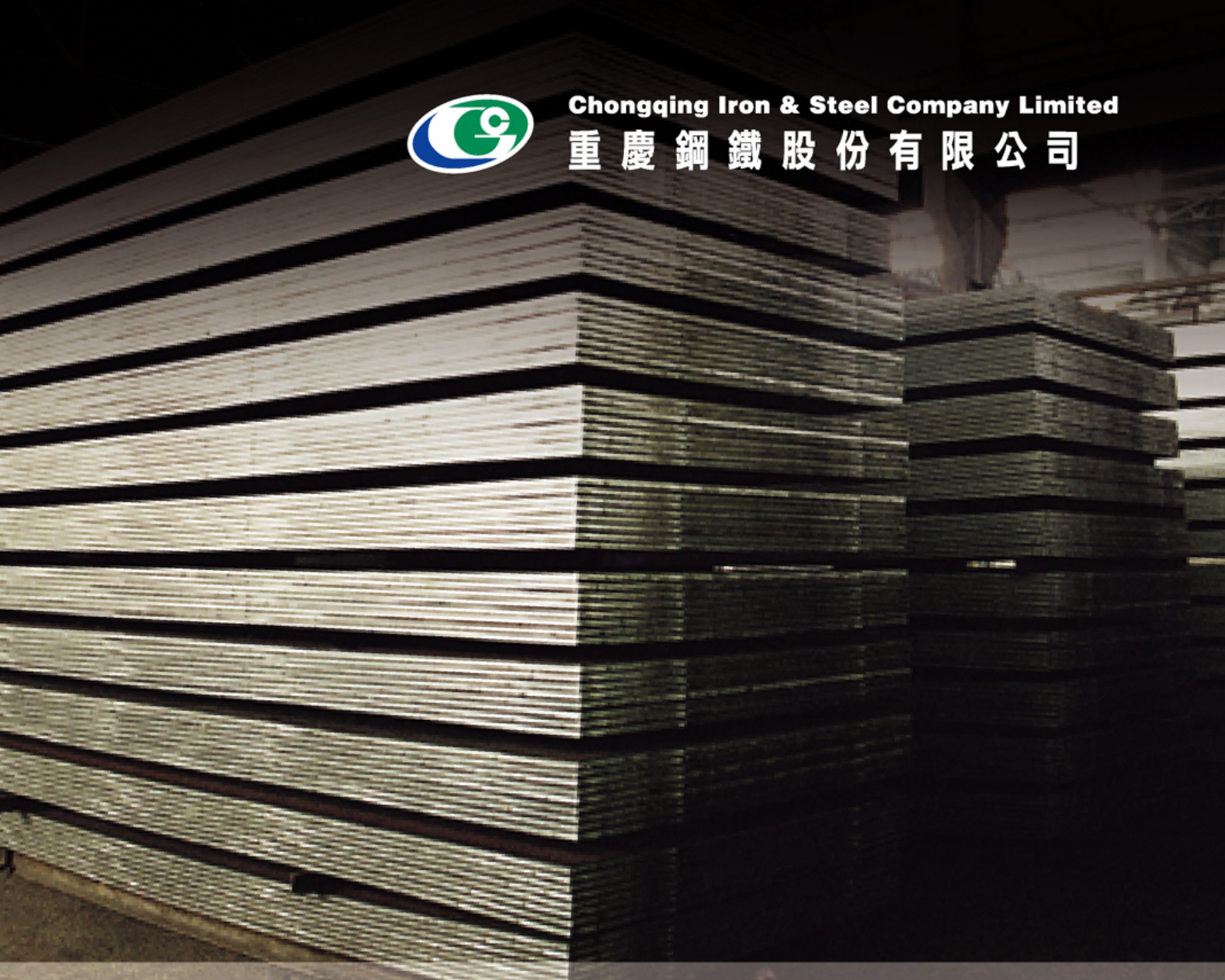




Chongqing Iron & Steel Company Limited
重慶鋼鐵股份有限公司



2008

Interim Report

(H Share Stock Code: 1053)
(A Share Stock Code: 601005)



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Notice

1. The Board of Directors, the Supervisory Committee and directors, supervisors and senior management of the Company warrant that there are no false representations or misleading statements contained in or material omissions from this report, and collectively and individually accept responsibility for the truthfulness, accuracy and completeness of the contents contained herein.
2. There was no appropriation of funds by major shareholders of the Company.
3. Mr. Luo Fuqin, the Chairman of the Company, Ms. Song Ying, the Financial Controller and the manager of financial department, have declared that they guarantee the truthfulness and completeness of the financial statements in the 2008 Interim Report.
4. The financial statements in this interim report have not been audited, but they have been reviewed by the Audit Committee of the Board of Directors of the Company.
5. This report is compiled in Chinese and English. Any interpretation will be subject to the Chinese version if any divergence between the two versions arises, excluding the Financial Statement prepared under the HKFRS.

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COMPANY INFORMATION

1. COMPANY PROFILE

Chinese name of the Company:	重慶鋼鐵股份有限公司(「重鋼股份公司」)
English name of the Company:	Chongqing Iron & Steel Company Limited (“CISL”)
Company’s legal representative:	Luo Fu Qin
Secretary to the Board of Directors:	You Xiao An
Correspondence address:	No. 30, Gangtie Road, Dadukou District, Chongqing, the PRC
Telephone:	86-23-6884 5030
Fax:	86-23-6884 9520
E-mail:	yxa@email.cqgt.cn
Securities representative:	Peng Guoju
Correspondence address:	No. 30, Gangtie Road, Dadukou District, Chongqing, the PRC
Telephone:	86-23-6884 2582
Fax:	86-23-6884 9520
E-mail:	clarapeng@email.cqgt.cn
Correspondence address, registered address and office address:	No. 30, Gangtie Road, Dadukou District, Chongqing, the PRC
Postal code:	400084
Telephone:	86-23-6884 5030
Fax:	86-23-6884 9520
Website:	http://www.cqgt.cn
E-mail:	dms@email.cqgt.cn
Name of newspapers designated for information disclosure of the Company:	
Domestic:	China Securities Journal, Shanghai Securities News, Securities Times
Hong Kong:	Wen Wei Po, China Daily
Website for publishing interim report:	http://www.sse.com.cn and http://www.hkexnews.hk
Place for preparation and reference of interim reports:	Secretariat of the Board of Directors of Chongqing Iron & Steel Company Limited
Place of listing of the Company’s Shares:	Shanghai Stock Exchange (A shares)/The Stock Exchange of Hong Kong Limited (H shares)
Abbreviated name of Shares:	重慶鋼鐵(A shares)/Chongqing Iron (H shares)
Stock code:	601005 (A shares)/1053 (H shares)

COMPANY INFORMATION

2. KEY FINANCIAL DATA AND INDICES

1. Key financial data and indices prepared in accordance with PRC Accounting Standards (RMB'000)

Items	At the end of reporting period	At the end of last year	Increase/decrease at the end of reporting period over the end of last year (%)
Total assets	12,864,424	10,958,601	17.39
Owner's equity (or shareholders' equity)	5,530,583	5,219,961	5.95
Net assets per share attributable to the Company's shareholders (RMB)	3.19	3.12	2.24
Items	During the reporting period (Jan-June)	During the same period last year	Increase/decrease during the reporting period over the same period last year (%)
Operating profit	496,543	291,043	70.61
Total profit	495,079	286,503	72.80
Net profit	483,935	263,926	83.36
Net profit after non-recurring profit and loss	485,258	268,466	80.75
Basic earnings per share (RMB)	0.28	0.16	75
Diluted earnings per share (RMB)	0.28	0.16	75
Net cash flow from operating activities	171,741	224,642	-23.55
Net cash flow per share from operating activities (RMB)	0.10	0.14	-28.57
Return on net asset (weighted average) (%)	8.86	5.55	Increase by 3.31 percentage points

COMPANY INFORMATION

2. KEY FINANCIAL DATA AND INDICES (CONTINUED)

1. Key financial data and indices prepared in accordance with PRC Accounting Standards (RMB'000) (Continued)

Non-recurring profit and loss items and amount in the reporting period (RMB'000):

Non-recurring profit and loss items	Amount
Non-operating income	-2,431
Non-operating expenses	3,895
Less: impact on tax from non-recurring profit and loss items	141
Total	1,323

2. Explanations to the differences in net profit during the reporting period and net assets at the end of reporting period between the accounting statements prepared in accordance with PRC Accounting Standards and Hong Kong Financial Reporting Standards (RMB'000)

	PRC Accounting Standards	Hong Kong Financial Reporting Standard (HKFRS)
Net profit	483,935	484,204
Net assets	5,530,583	5,512,630

Explanation to the difference	Under the Hong Kong Financial Reporting Standards, the government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. Before 1 January 2007, grants were recognised in capital reserve once they complied with the conditions associated. At present, such governmental grants are recognised initially as deferred income and equally distributed in profit or loss over the useful life of the asset.
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CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

1. CHANGES IN SHARE CAPITAL DURING THE REPORTING PERIOD

No change in the total number of shares and share structure occurs due to bonus share, share capital increase from conversion, right issue, issuance of new shares, conversion of convertible company bonds, implementation of equity incentive plan and other reasons during the reporting period.

2. SHAREHOLDING OF MAJOR SHAREHOLDERS

- (1) At the end of reporting period, the total number of shareholders was 136,257, of which 136,050 shareholders were the holders of A shares and 207 shareholders were holders of H Shares.
- (2) Shareholding of the top ten shareholders at the end of reporting period:

Shareholdings of the top ten shareholders at the end of reporting period

Unit: share

Name of shareholder	Type of shareholder	Percentage	Total number of shares held	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
Chongqing Iron & Steel (Group) Company Limited	State-owned legal person shareholder	48.76%	845,000,000	845,000,000	20,000,000 shares frozen
HKSCC NOMINEES LIMITED	Foreign shareholder	30.71%	532,241,470	0	Unknown
BOC — Jiashi Shanghai Shenzhen 300 Index Securities Investment Fund	Holders of domestic non-State owned legal person shares	0.13%	2,218,150	0	Unknown
Shenzhen Lisha Co., Ltd.	Holders of domestic non-State owned legal person shares	0.13%	2,199,214	0	Unknown
Zhejiang Sanyou Trade Development Group Co., Ltd.	Holders of domestic non-State owned legal person shares	0.09%	1,485,000	0	Unknown
China Construction Bank-Bosera Yufu Securities Investment Fund	Holders of domestic non-State owned legal person shares	0.07%	1,173,024	0	Unknown
Xiamen Dazhou Real Estate Group Company Limited (廈門大洲房地產集團有限公司)	Holders of domestic non-State owned legal person shares	0.06%	1,020,000	0	Unknown
Hong Xiaobo	Domestic natural person shareholder	0.06%	1,000,600	0	Unknown
Zhou Yong	Domestic natural person shareholder	0.05%	790,000	0	Unknown
Wu Zhongxin	Domestic natural person shareholder	0.04%	700,000	0	Unknown

CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

2. SHAREHOLDING OF MAJOR SHAREHOLDERS (CONTINUED)

(2) Shareholding of the top ten shareholders at the end of reporting period: (Continued)

Note 1: There is no connection or any party acting in concert as defined in Measures for Management on Information Disclosure of Changes in Shareholdings of Listed Company's Shareholders between Chongqing Iron & Steel Company (Group) Limited ("Holding Company") and other 9 shareholders. The Company is not aware of any connected relationship among the other 9 shareholders or any party acting in concert.

Note 2: At the end of the reporting period, 20,000,000 shares held by the Holding Company were frozen. Save for that, the Company is not aware of whether the shares held by other shareholders holding more than 5% (including 5%) shares in the Company were pledged, frozen or in custody.

Note 3: The 532,241,470 shares held by HKSCC NOMINEES LIMITED (香港中央結算(代理人)有限公司) are shares held on behalf of its customers.

(3) Shareholdings of the top ten holders of shares not subject to trading moratorium at the end of reporting period:

Unit: share

Name of shareholder	Number of shares not subject to trading moratorium	Share class
HKSCC NOMINEES LIMITED	532,241,470	Overseas listed foreign shares
BOC — Jiashi Shanghai Shenzhen 300 Index Securities Investment Fund	2,218,150	Renminbi dominated ordinary shares
Shenzhen Lisha Co., Ltd.	2,199,214	Renminbi dominated ordinary shares
Zhejiang Sanyou Trade Development Group Co., Ltd.	1,485,000	Renminbi dominated ordinary shares
China Construction Bank-Bosera Yufu Securities Investment Fund	1,173,024	Renminbi dominated ordinary shares
Xiamen Dazhou Real Estate Group Company Limited (廈門大洲房地產集團有限公司)	1,020,000	Renminbi dominated ordinary shares
Hong Xiaobo	1,000,600	Renminbi dominated ordinary shares
Zhou Yong	790,000	Renminbi dominated ordinary shares
Wu Zhongxin	700,000	Renminbi dominated ordinary shares
Yong Zi Han	659,800	Renminbi dominated ordinary shares

Note: The Company is not aware of any connected relationship among the top ten holders of shares not subject to trading moratorium or any parties acting in concert.

CHANGES IN SHARE CAPITAL AND SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

2. SHAREHOLDING OF MAJOR SHAREHOLDERS (CONTINUED)

(4) Particulars of the top ten holders of shares subject to trading moratorium and trading moratorium

Unit: share

No.	Name of shareholders subject to trading moratorium	Number of shares held subject to trading moratorium	Date of release of trading moratorium	Trading moratorium
1	Chongqing Iron & Steel (Group) Company Limited	845,000,000	29th February 2010	See Note

Note: Chongqing Iron & Steel (Group) Company Limited undertakes that its shares in the Company will not be transferred or entrusted to others for management and shall not be repurchased by the Company within 36 months from the listing of A shares.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the end of reporting period, Directors, Supervisors and Senior Management of the Company didn't hold shares of the Company.

2. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- (1) On 24th March 2008, Mr. Gao Shou Lun was elected as the supervisor from staffs' representative of the Fourth Supervisory Committee of the Company at the 32nd Meeting of Mission Leaders in the Second Staff Representative Meeting of the Company held on 12th March 2008.
- (2) On 25th March 2008, Mr. Li Rensheng was appointed as the Director of the Company at the 1st Extraordinary General Meeting for 2008.

REPORT OF THE BOARD OF DIRECTORS

(Unless otherwise specified, financial data contained in this report is extracted from the unaudited financial statements of the Company prepared under PRC GAAP)

1. REVIEW ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD

(1) Overall operation status of the Company during the Reporting Period

In the first half of 2008, despite adverse affection of US subprime crisis on world economy, domestic snow disaster and Wenchuan earthquake, China's economy maintained a growth rate of 10.4%. Due to rising international steel prices, booming demand in domestic steel market, slow down of steel resources delivery, noticeably increased prices of raw materials such as iron ore, coal, scrap steel, the first half of 2008 saw a surge in prices of domestic steel products. During the reporting period, leveraging market opportunities, the Company sought to ensure sustainable supply of raw material and enhance coordination of production and marketing. The Company's sales revenue amounted to RMB8,827,022,000, representing a year-on-year increase of 54.23%; profit before tax amounted to RMB495,079,000, representing a year-on-year increase of 72.80%. On 12th May 2008, the magnitude 8 earthquake occurred in the Wenchuan area of Sichuan Province leading to violent shake in Chongqing area. However, it did not cause direct effect on the Company's operation.

During the reporting period, in the context of adverse situations including increasing prices in bulk raw materials and auxiliary materials such as iron ore, coal, alloy, pig iron and scrap steel as well as intensifying competition in controlling and obtaining raw materials among steel enterprises, the Company enhanced search and analysis on information in raw material market, timely adjusted procurement strategy, optimized purchased products mix and supply proportion of different supply channel of iron ore and optimized raw material transportation route, thus ensuring the sustainable supply of raw material and lowering down the procurement cost of raw material at the same time.

During the reporting period, focusing on the steel production target of 3,400,000 tonnes in 2008, the Company coordinated daily production and equipment repair and put emphasis on improving production efficiency. By taking measures such as enhancing smelting and increasing production of steel by saving iron, the Company reached a record high for output of major products. During the reporting period, the Company produced 690,000 tonnes of coking coal, 1,500,100 tonnes of pig iron, 1,750,100 tonnes of steel and 1,695,600 tonnes of steel products (billets), increased by 1.59%, 2.88%, 4.45% and 5.91% respectively as compared to the same period last year.

REPORT OF THE BOARD OF DIRECTORS

1. REVIEW ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(1) Overall operation status of the Company during the Reporting Period (Continued)

During the reporting period, the Company enhanced supervision and analysis on domestic steel market, adjusting product's selling price according to market prices. As a result, the selling prices of the company's major products achieved record high. In the meantime, due to the increase in steel price, the Company attached importance on customer resources guarantee, strengthening communication with senior management of customer and endeavoring to maintain corporation with strategic customers. During the reporting period, the Company sold 1,705,500 tonnes of steel products (billets). The sales/production ratio reached 99.73% with a collection rate of accounts receivable amounting to 100.01%.

During the reporting period, through enhancing coordination and communication of internal information, the Company improved typicality of samplings and accuracy of analysis while strengthened inspection on quality of raw materials. The Company revised and improved 82 production standards to ensure operating efficiency of quality system. During the reporting period, 24 targets of quality appraisal established by the Company achieved. Comprehensive qualification rate of steel products reached 99.62%, representing an increase of 0.15% over same period last year.

(2) Analysis on principal operation during the reporting period

As at 30th June 2008, the Company's principal revenue amounted to RMB8,827,022,000, representing a year-on-year increase of 54.23%; Profit before tax amounted to RMB495,079,000, representing a year-on-year increase of 72.80%.

In the first half of 2008, the Company's principal revenue in south-west region amounted to RMB4,158,707,000, representing a year-on-year increase of 57.24%; the Company's principal revenue in other regions amounted to RMB4,668,315,000, representing a year-on-year increase of 51.64%.

REPORT OF THE BOARD OF DIRECTORS

1. REVIEW ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(2) Analysis on principal operation during the reporting period (Continued)

Region	Revenue from principal operations (RMB'000)	Year-on-year increase/ decrease in turnover (%)
South-west region	4,158,707	57.24%
Other regions	4,668,315	51.64%
Total	8,827,022	54.23%

In the first half of 2008, sales of steel products of the Company amounted to RMB8,542,308,000, representing 96.77% of the total revenue, up 57.05% over the same period last year; sales of coking by-products, cutting steel leftover and hydroelectricity of the Company amounted to RMB284,714,000, which accounted for 3.23% of the total revenue, up 0.18% from the same period last year.

Turnover	First half of 2008		First half of 2007		Year-on-year increase/ decrease (%)
	RMB'000	Percentage (%)	RMB'000	Percentage (%)	
Steel plates	3,786,544	42.90	2,510,522	43.86	50.83
Steel sections	2,300,360	26.06	1,450,012	25.33	58.64
Wire rods	1,207,769	13.68	656,662	11.47	83.93
Steel billets	1,015,283	11.50	647,250	11.31	56.86
Cool rolled plates	232,352	2.63	174,747	3.05	32.96
Subtotal	8,542,308	96.77	5,439,193	95.03	57.05
Others	284,714	3.23	284,206	4.97	0.18
Total	8,827,022	100.00	5,723,399	100	54.23

REPORT OF THE BOARD OF DIRECTORS

1. REVIEW ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(2) Analysis on principal operation during the reporting period (Continued)

In the first half of 2008, the sales revenue of the Company's steel products (billets) increased by RMB3,103,115,000 as compared with the same period last year, which was attributable to an increase in price and production and sales volume. In the first half of 2008, the average selling prices of steel products (billets) was RMB5,009 per tonne, representing an increase of 45.70% from the same period of last year which increased sales revenue by RMB2,680,330,000. Meanwhile, the Company sold 1,705,500 tonnes of steel products (billets), representing an increase of 7.80% over the same period of last year which increased sales revenue by RMB422,785,000.

Selling price

Selling price	First half of 2008 (RMB/tonne)	First half of 2007 (RMB/tonne)	Year-on-year	
			Increase/ decrease (%)	Increase in revenue (RMB'000)
Steel plates	5,722	4,101	39.53	1,072,178
Steel sections	4,719	3,017	56.41	829,836
Wire rods	4,439	2,954	50.27	404,001
Steel billets	4,215	2,866	47.07	324,749
Cool rolled plates	5,379	4,232	27.10	49,566
Total	5,009	3,438	45.70	2,680,330

Sales volume

Sales volume	First half of 2008 (10,000 tonne)	First half of 2007 (10,000 tonne)	Year-on-year	
			Increase/ decrease (%)	Increase in revenue (RMB'000)
Steel plates	66.18	61.21	8.12	203,844
Steel sections	48.75	48.07	1.41	20,512
Wire rods	27.21	22.23	22.40	147,106
Steel billets	24.09	22.58	6.69	43,284
Cool rolled plates	4.32	4.13	4.60	8,039
Total	170.55	158.22	7.80	422,785

REPORT OF THE BOARD OF DIRECTORS

1. REVIEW ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(3) Operating results during the Reporting Period

In the first half of 2008, the Company's profit before tax amounted to RMB495,079,000, representing an increase of RMB208,576,000 over the same period of last year, of which:

Product	Revenue from principal operations (RMB'000)	Cost of principal operations (RMB'000)	Gross profit margin (%)	Year-on-year increase/decrease in turnover (%)	Year-on-year increase/decrease in cost (%)
Steel plates	3,786,544	2,934,529	22.50	50.83	62.09
Steel sections	2,300,360	2,109,136	8.31	58.64	51.59
Wire rods	1,207,769	1,156,837	4.22	83.93	81.33
Steel billets	1,015,283	1,006,450	0.87	56.86	59.77
Cool rolled plates	232,352	233,543	-0.51	32.96	25.26
Subtotal	8,542,308	7,440,495	12.90	57.05	59.80
Others	284,714	243,746	14.39	0.18	2.46
Total	8,827,022	7,684,241	12.95	54.23	57.01

- (1) Gross profit from principal operations amounted to RMB1,142,781,000 representing an increase of RMB313,479,000 over the same period of last year, mainly due to:
- (i) The average selling price of steel products (billets) was 5,009/ tonne, representing an increase of 45.70% over the same period of last year, which increased profit by approximately RMB2,680,330,000. However, due to the appreciation of raw materials such as ore, coal and scrap steel leading to significant increase in operation cost which decreased profit by approximately RMB2,508,940,000, the profit growth of Company was lowered;
 - (ii) The sales volume amounted to 1,705,500 tonnes, representing an increase of 7.80% over same period last year, which increased profits of approximately RMB61,073,000;
 - (iii) Due to use more of recycled gas, self-production electricity represented a year-on-year increase, which increased profits of approximately RMB24,940,000;
 - (iv) Meticulous management, scale production and workflow cost reduction increased profits of approximately RMB45,940,000.

REPORT OF THE BOARD OF DIRECTORS

1. REVIEW ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(3) Operating results during the Reporting Period (Continued)

- (2) In the wake of technology renovations in recent years, parts of original equipment and spare parts in inventory could not use anymore. By the liquidation of parts of backward fixed assets and spare parts, the Company made provision for impairment of assets of RMB94,625,000, representing an increase of RMB73,933,000 over the same period last year.
- (3) Selling expenses of the Company amounted to RMB128,949,000, representing an increase of RMB18,017,000 as compared with last year, which was mainly attributable to the increase in shipbuilding inspection expenses and transportation charges as a result of expanded production and sales volume of ship plates.
- (4) Management expenses amounted to RMB308,234,000, representing an increase of RMB3,087,000 over the same period last year, which was attributable to an increase in staff wages due to hiking price index in the first half of 2008.
- (5) Financial costs of the Company amounted to RMB118,784,000, increased by RMB14,378,000 over last year, which was mainly attributable to a rise in interest rate, resulting in an increase in interest expenses.

REPORT OF THE BOARD OF DIRECTORS

1. REVIEW ON THE COMPANY'S OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(4) Analysis on financial position during the reporting period

- (1) As at 30th June 2008, the Company's total assets amounted to RMB12,864,424,000 and the total liabilities amounted to RMB7,333,841,000 with gearing ratio of 57.01% ; The current assets amounted to RMB6,275,463,000 while the current liabilities amounted to RMB4,723,671,000. The current assets/current liabilities ratio was 132.85%.
- (2) In the first half of 2008, due to the increase in sales of the Company, net cash from operating activities amounted to RMB171,741,000. Together with the net cash flow from financing activities of RMB892,337,000, the Company's current cash and cash equivalents increased by RMB466,855,000 after deducting net cash outflow from investment project of RMB597,223,000 as a result of saving energy and material consumption and improving asset function by the Company. As at 30th June 2008, the Company's bank balances and cash amounted to RMB1,437,937,000.

2. PROSPECTS

In the second half of 2008, it is expected that subprime mortgage crisis will continue to hinder economy growth and inflation will be more serious in the background of gloomy global economy. Therefore, the state government will focus on controlling inflation to ensure smooth development of economy. Taking priority on controlling hiking material prices in micro-economic control, the state government's approaches of prudent financial policy and tight monetary policy will not change significantly. Fixed assets investments will remain certain level of growth in the wake of reconstruction in the aftermath of disaster and domestic steel market demand will remain at a certain extent. Due to domestic production capacity releasing and shrinking demand from downstream industries, it is expected that the market price of steel products will fallback or may fluctuate. Domestic prices of raw materials such as coal, coke, ore will remain high despite of its unlikeliness of price hike. In the second half of 2008, the Company will continue to enhance analysis on information in raw material market, adjust and improve ore mixing from time to time and optimize raw material resources supply to lower down procurement cost. Leveraging market opportunities, the Company sought to enhance coordination of production and marketing and promote the sales of products with larger margins, to enhance profitability of the products. The Company will continue to take efforts in key process projects and implement meticulous management, in order to constantly improve technical and economic indicators. Furthermore, the Company will continue to strengthen equipment repair and improve equipment operating efficiency and production work flow efficiency, aiming to fulfil production targets in 2008.

REPORT OF THE BOARD OF DIRECTORS

3. INVESTMENT DURING THE REPORTING PERIOD

1. Use of raised proceeds

The Company strictly complied with the requirements of laws, regulations and Chongqing Iron & Steel Company Limited Management Rules on Proceeds Management to manage and utilize the raised proceeds. As at 30 June 2008, the Company has utilized a total of RMB975,080,000 of raised proceeds (including fees in relation to the issue and underwriting). RMB77,000,000 of raised proceeds were used in the first half of 2008 (details follow):

Unit: RMB'000

Items:	Amount paid
Construction and installation amount of the project	77,000
Total	77,000

REPORT OF THE BOARD OF DIRECTORS

3. INVESTMENT DURING THE REPORTING PERIOD (CONTINUED)

1. Use of raised proceeds (Continued)

Unit: RMB'000

Use of proceeds by the Company as at 30th, June 2008

Total proceeds	1,008,000	Total utilised proceeds in the reporting period	77,000
		Accumulated total use of raised proceeds (including fees in relation to underwriting, issuance and other fees)	975,080

Items	Amount to be invested	Change of project	Actual amount of investment (excluding fees in relation to underwriting, issuance and other fees)	Return incurred	In line with schedule	In line with estimated earning
Technological renovation project of plate-strip project	2,038,110	No	1,088,193	Not applicable	Yes	Not applicable
Total	2,038,110	—	1,088,193	—	—	—

Reason for the failure in keeping in line with the schedule and estimated return

Not applicable

Reason and procedure for the change

Not applicable

Use of outstanding proceeds

Deposited designated bank account for further usage according to plan of usage of proceeds set out in prospectus

REPORT OF THE BOARD OF DIRECTORS

3. INVESTMENT DURING THE REPORTING PERIOD (CONTINUED)

1. Use of raised proceeds (Continued)

Cold rolling plate-strip Project was operated smoothly at present. Since hot rolling (main raw material for cold rolling production) production line has not yet completed construction and commenced production, cost of purchased raw material surged leading to un-full load production. Therefore, losses occurred during reporting period. However, with the rising steel market price, cold rolling plate-strip project began to achieve profits in June.

During the reporting period, the Company proactively push forward construction of hot rolling plate-strip project. Excavation work, ancillary equipment management and bidding of construction and installation project was principally completed. The Company signed 37 contracts and total paid RMB671,870,000.

2. Projects financed by non-raised proceeds

Unit: RMB'000

Project name	Budget amount	Progress	Earnings
4,100 mm Wide-thick steel plates	1,918,000	20%	Under construction
Total	1,918,000	20%	—

During the reporting period, the Company has paid an aggregate of RMB673,414,000 for the project of 4,100 mm wide-thick steel plate. The Company is conducting initial review on excavation work and main equipment, non-standard Equipment and 3-electric equipment.

SIGNIFICANT EVENTS

1. CORPORATE GOVERNANCE

The Company operates strictly in accordance with the requirements of the Company Law, Securities Law, relevant rules of the China Securities Regulatory Commission as well as the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules of Stock Exchange”), the Rules Governing the Listing of Shares on the Shanghai Stock Exchange and Management Standards for Listed Companies to establish a sound corporate governance system and effective internal control system.

During the reporting period, according to relevant regulations of Notice on Properly Handling the 2007 Annual Reports of Listed Companies and the Related Work (Zheng Jian Gong Si Zi No.235 [2007] by CSRC), the Company formulated the Rules of Procedure on Annual Report for Independent Directors and Procedures on Annual Report for Audit Committee under the Board. In preparing 2007 annual report of the Company, independent directors and audit committee participated all through financial auditing according to aforesaid systems and regulations.

During the reporting period, according to requirements of relevant document issued by CSRC regarding special campaign to strengthen the corporate governance of listed Companies, the Company constantly improved corporate legal person governance to regulate corporate operation in addition to maintaining performance as a result of special campaign on corporate governance last year. According to requirements of Notice of the special activity on corporate governance of the Company (Notice of the CSRC [2008] No.27 by CSRC), the Company carefully checked rectification on the special activity of corporate governance of the Company in last year during the period ended 30th June 2008. The company made rectification within the given time on the matters needing for rectification found in corporate governance inspection. Also, continuing rectification achieved good performance during the reporting period. The Company formulated further rectification plan regarding corporate governance.

Optimizing corporate governance is a long term systematic project, which needs constantly improvement and rectification in daily work. In future, the Company will timely upgrade and improve internal system of the Company according to relevant regulations and constantly improve awareness of standardized operation for healthy development of the Company.

During the reporting period, the Company has taken the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of Listing Rules of the Stock Exchange as the code for securities transactions by its directors and supervisors. After special enquiries to all directors and supervisors, the Company confirms that all directors and supervisors had complied with the requirements of the above code concerning the securities transactions.

The Board is also of the opinion that during the reporting period, the Company has complied with the stipulations of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of the Stock Exchange.

SIGNIFICANT EVENTS

2. INTERIM DIVIDEND FOR 2008

The board of directors does not recommend to declare an interim dividend.

3. PROFIT DISTRIBUTION PLAN AND ITS IMPLEMENTATION DURING THE REPORTING PERIOD

On 23rd June 2008, proposed distribution of final profit for the year 2007 was considered and approved at 2007 annual general meeting of the Company. Based on the total shares of the Company ended 31st December 2007 of 1,733,127,200 shares, the Company resolved to declare a cash dividend of RMB1.00 (tax inclusive) per 10 shares, totaling RMB173,312,700, to all shareholders.

On 23rd June 2008, the specific matters of the distribution of final dividends of the Company for year 2007 was considered and approved at the 11th meeting of the fourth board of directors. The Company will distribute a cash dividend of RMB1 (tax inclusive) per 10 shares to all shareholders whose names appeared on the register of members of the Company on 8 July 2008. The registration of transfer of H shares of the Company will be closed from 2 July 2008 to 8 July 2008. The cheques of H share dividends of the Company will be posted by ordinary mail to holders of H shares of the Company whose names appeared on the register of members as at 30 June 2008 on or before 22 July 2008. Registration date, ex-dividend date and dividend date of A shares of the Company were 8th July 2008, 9th July 2008 and 16th July 2008 respectively. The dividend distribution was completed.

4. MATERIAL LITIGATION OR ARBITRATION

During the period, the Company did not involve in any material litigation or arbitration.

5. MATERIAL ASSETS ACQUISITIONS, SALE OR DISPOSAL AND MERGER AND ACQUISITION

During the reporting period, the Company did not involve in any Material assets acquisitions, sale or disposal and merger and acquisition during the reporting period or the same occurred in previous periods but extending to the reporting period.

SIGNIFICANT EVENTS

6. MAJOR CONNECTED TRANSACTIONS

(1) Details of Connected transactions

Service and Supply Agreement dated 20th October 2005 entered into between the Company and the Parent Company was terminated on 31st December 2007. The Company and the Parent Company entered into Service and Supply Agreement (“New Service and Supply Agreement”) on 22nd January 2008 to secure sustainable supply of raw materials, provision of services, factory premises and welfare services between the Company and the Parent Company. On 25th March 2008, independent shareholders approved the New Service and Supply Agreement and the transactions contemplated thereunder and Annual Caps at 2008 1st extraordinary general meeting of the Company.

It is beneficial for the Company to enter into the New Service and Supply Agreement with the Parent Company to secure a stable and reliable supply of raw materials, provision of services, factory premises and welfare services at reasonable prices, which are essential to the Company’s efficient and expanding production. The term of New Service and Supply Agreement is 3 years commencing 1 January 2008 and ending 31 December 2010.

Pursuant to the New Service and Supply Agreement, the Company agreed to provide to the Parent Company and its subsidiaries (excluding the Company) (“the Parent Group”) in summary the following:

- (i) production materials (such as coking by-products, steel billets, steel section, steel plates, wire rod and other products);
- (ii) utilities services such as water, electricity and natural gas and internal railway transportation services.

SIGNIFICANT EVENTS

6. MAJOR CONNECTED TRANSACTIONS *(CONTINUED)*

(1) Details of Connected transactions *(Continued)*

Pursuant to the New Service and Supply Agreement, the Parent Group agreed to provide to the Company in summary the following :

- (i) raw materials (such as iron ore, dolomite, limestone, ferroalloy, scrap steel, pig iron), production materials (such as refractory materials), machinery and equipment and parts;
- (ii) technical services and installation design and technology advice;
- (iii) oxygen and other gases used in the Company's production process;
- (iv) transportation, construction and maintenance, telecommunications, environmental and training and social welfare services (including mainly medical, unemployment and pension funds management services etc); the fees in respect of which were paid by the Parent Group for managing such social welfare services for the Company's employees.

Pursuant to the New Service and Supply Agreement, the Company and the Parent Group will allow each other to use and occupy their respective factory premises.

SIGNIFICANT EVENTS

6. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(1) Details of Connected transactions (Continued)

The aggregate consideration to be received by the Company from the Parent Group under the New Service and Supply Agreement will not exceed the respective cap amount as shown in the table below for each of the financial years ending 31 December 2008, 2009 and 2010 :

	For the year ended 31 December 2008 RMB	For the year ended 31 December 2009 RMB	For the year ended 31 December 2010 RMB
Company Products Caps (includes water, electricity and natural gas used in the Parent Group's roduction process, steel products (such as rolled steel, steel billets etc.) and ancillary products (such as cement, hardware, and timber etc.)	1,773,400,000	1,883,900,000	1,995,400,000
Company Service Caps (railway transportation services and other services (including technical services such as quality control and technical consultancy services etc.)	2,600,000	3,000,000	3,400,000
Company Lease Caps (lease of the Company's factory premises)	1,200,000	1,200,000	1,300,000

The aggregate consideration to be paid by the Company to the Parent Group under the New Service and Supply Agreement will not exceed the respective cap amount as shown in the table below for each of the financial years ending 31 December 2008, 2009 and 2010:

SIGNIFICANT EVENTS

6. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

(1) Details of Connected transactions (Continued)

	For the year ended 31 December 2008 RMB	For the year ended 31 December 2009 RMB	For the year ended 31 December 2010 RMB
Parent Product Caps (products (such as oxygen, equipment and spare parts) and raw materials (such as pig iron, iron ore, ferroalloy, scrap steel, refractory materials and ancillary products (which include white marble and limestone etc.))	2,635,000,000	2,970,500,000	3,328,400,000
Parent Service Caps (transportation services, environment services and technical services (such as construction services, fixed asset project monitoring services, software development services and labour services etc.))	413,400,000	532,200,000	545,000,000
Parent Lease Caps (lease of the Parent Group's factory premises)	1,000,000	1,200,000	1,500,000
Welfare Caps	120,000,000	130,000,000	140,000,000

SIGNIFICANT EVENTS

6. MAJOR CONNECTED TRANSACTIONS (CONTINUED)**(1) Details of Connected transactions (Continued)**

Basis of price determination of New Service and Supply Agreement: (i) steel products (steel plates, billets, etc.), pig iron, iron ore, ferroalloy, scrap steel, refractory materials, oxygen and transportation services are determined by reference to the market price; (ii) ancillary products, railway transportation, environment services are determined by reference to profit mark-up above the cost of providing such products as agreed between the Company and the Parent Group; (iii) equipment and spare parts are determined by reference to the price offered by suppliers of such equipment and spare parts; (iv) water, electricity and natural gas supply and social welfare services are determined by reference to the prices as prescribed by the relevant Chongqing governmental departments; (v) technical services are determined primarily by reference to market prices or prices prescribed by state government documents or a profit mark-up above the cost of providing such services as agreed between the Company and the Parent Group; (vi) the lease of factory premises are determined by reference to a mark-up for maintenance over and above the cost of depreciation of the factory premises.

(2) Connected Transactions during the Reporting Period

From 1st January 2008 to 30th June 2008, all the continuing connected transactions carried out in the ordinary course of business between the Company and the Parent Group was settled by cash and had no adverse impacts to the Company's profit.

The connected transaction on services provided to and received from the Parent Group by the Company during the reporting period amounted to RMB642.710 million and RMB1,445.535 million.

During the reporting period, under the lease agreement ("Lease Agreement") in respect of the land leased by the Company from the parent company, the Company paid land rent RMB9,000,000 to the parent company.

During the reporting period, the aforesaid continuing connected transactions are on the terms of the relevant transaction agreement, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

(3) Material Contracts Entered into with the Parent company.

As at 30th June 2008, except the Service and Supply Agreement and Lease Agreement as described above, no material contracts has been entered into between the Company and the parent shareholders.

SIGNIFICANT EVENTS

7. NON-OPERATING CREDITOR'S RIGHT AND DEBT BETWEEN THE COMPANY AND RELATED PARTIES

As at 30th June 2008, except the ordinary course of business between the Company and related parties, there is no other creditor's rights and debt between the Company and related parties. Also, no holding shareholders and its subsidiaries appropriated the Company's funds for non-operating purpose.

8. MATERIAL CUSTODY, CONTRACTING OR LEASING

The Company was not involved in any material custody, contracting or leasing of assets of other parties or vice versa, nor did it entrust any party for cash asset management during the reporting period or occurred in previous periods but extending to the reporting period.

9. PERFORMANCE OF UNDERTAKINGS OF SHAREHOLDERS HOLDING 5% OR MORE OF SHARE CAPITAL OF THE COMPANY

In the Company's "PROSPECTUS of Initial Public Offering of Shares (A Shares)", the controlling shareholder of the Company undertook that: within 36 months from the listing date of the Company's A shares, they would neither transfer or entrust others to manage shares held by them, nor agree the Company to repurchase such shares. As at the date hereof, the controlling shareholders of the Company has not violated the above undertakings.

10. SECURITIES INVESTMENT

During the reporting period, the Company did not hold equity interests in other listed companies.

11. HOLDING OF EQUITY INTERESTS IN NON-LISTING FINANCIAL ENTERPRISES

During the reporting period, the Company did not hold equity interests in non-listing financial enterprises.

12. 2008 UNDERTAKING ON EXTENSION OF TRADING MORATORIUM BY SHAREHOLDERS OF THE COMPANY HOLDING 5% OR MORE OF ITS SHARE CAPITAL

During the reporting period, none of shareholders of the Company holding 5% or more of its share capital had made any undertakings on voluntary extension of trading moratorium, setting or increasing the minimum selling price of shares.

SIGNIFICANT EVENTS

13. STAFF

As at 30th June 2008, the Company had 11,625 staff, including 9,800 production staff, 188 sales staff, 785 technical and engineering staff, 100 finance staff, and 762 administrative staff.

The Company has placed emphasis on staff skill training and knowledge upgrade. During the reporting period, total 4,461 staff received training, covering 33.17% of the staff.

14. QUALIFIED ACCOUNTANTS

The Company appointed Ms. Song Ying as the qualified accounts of the Company and has obtained a conditional waiver from the Stock Exchange for a period commencing from 19th May 2008 to 18th May 2011 from strict compliance with Rule 3.24 of the Listing Rules. Details of announcement were published in Hong Kong Wen Wei Po, China Daily and information disclosure website of the Stock Exchange (www.hkexnews.hk) and the websites of the Shanghai Stock Exchange (www.sse.com.cn) on 17th May 2008.

SIGNIFICANT EVENTS

15. TEMPORARY ANNOUNCEMENTS INDEXES

Name of announcements	No. of the announcement	Date of disclosure	Media and internet website for disclosure
Announcement of resolutions passed at the 9th meeting of the fourth Board	Lin 2008-001	23rd January 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Announcement of the continuing connected transaction	Lin 2008-002	23rd January 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Notice of 2008 first extraordinary general Meeting	Lin 2008-003	5th February 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Announcement of 34th written resolution of the fourth Board	Lin 2008-004	5th February 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Announcement of H shares: circular for H shareholders		5th February 2008	Shanghai Stock Exchange: www.sse.com.cn
Announcement of resolutions passed at 2008 first extraordinary general Meeting	Lin 2008-005	26th March 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Announcement in relation to supervisor from staff representative	Lin 2008-006	26th March 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Announcement of H shares: Appointment of directors		28th March 2008	Shanghai Stock Exchange: www.sse.com.cn
Announcement of H shares: Notice of board meeting		11th April 2008	Shanghai Stock Exchange: www.sse.com.cn
Announcement of 46th written resolution of the fourth Board	Lin 2008-007	16th April 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn

SIGNIFICANT EVENTS

15. TEMPORARY ANNOUNCEMENTS INDEXES (CONTINUED)

Name of announcements	No. of the announcement	Date of disclosure	Media and internet website for disclosure
Announcement of resolutions passed at the 10th meeting of the fourth Board	Lin 2008-008	24th April 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Announcement of resolutions passed at the 6th meeting of the fourth Supervisory committee	Lin 2008-009	24th April 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Notice on convening 2007 annual general meeting	Lin 2008-010	30th April 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Announcement of the Board of Directors	Lin 2008-011	14th May 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Announcement in relation to volatile trading of stocks	Lin 2008-012	19th May 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Announcement of H shares: Appointment of qualified accountants		17th May 2008	Shanghai Stock Exchange: www.sse.com.cn
Announcement of H shares: Notice of board meeting		12th June 2008	Shanghai Stock Exchange: www.sse.com.cn
Announcement of resolutions passed at 2007 annual general meeting	Lin 2008-013	24th June 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Announcement of resolutions passed at the 11th meeting of the fourth Board	Lin 2008-014	24th June 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Announcement of H shares: Clarification announcement		25th June 2008	Shanghai Stock Exchange: www.sse.com.cn
Announcement of implementation of 2007 dividend distribution	Lin 2008-015	3rd July 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn

SIGNIFICANT EVENTS

15. TEMPORARY ANNOUNCEMENTS INDEXES (CONTINUED)

Name of announcements	No. of the announcement	Date of disclosure	Media and internet website for disclosure
Announcement on estimated profit increase for the first half of 2008	Lin 2008-016	15th July 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Announcement of the special activity on corporate governance of the Company	Lin 2008-017	21st July 2008	China Securities Journal, Shanghai Securities News, Securities Times and Shanghai Stock Exchange: www.sse.com.cn
Report on the Special Activity of Corporate Governance of Chongqing Iron & Steel Company Limited		21st July 2008	Shanghai Stock Exchange: www.sse.com.cn

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

If there is any conflict of meaning between the Chinese and English versions, the Chinese version will prevail.

BALANCE SHEET

30 June 2008

Prepared by: Chongqing Iron & Steel Company Limited

Unit: RMB'000

Assets	Note	Closing balance	Opening balance
Cash at bank and on hand	V.1	1,529,680	1,093,879
Bills receivable	V.2	866,392	496,769
Accounts receivable	V.3	232,669	146,886
Prepayments	V.4	445,809	1,053,169
Other receivables	V.5	27,832	18,627
Inventories	V.6	3,173,081	2,660,245
Total current assets		6,275,463	5,469,575
Long-term equity investments	V.7	5,000	5,000
Fixed assets	V.8	5,086,314	5,249,670
Construction in progress	V.9	262,837	124,830
Construction materials	V.10	910,790	22,777
Intangible assets	V.11	253,654	25,820
Deferred tax assets	V.12	21,566	7,329
Other non-current assets		48,800	53,600
Total non-current assets		6,588,961	5,489,026
Total assets		12,864,424	10,958,601

The notes on pages 38 to 101 form part of these financial statements.

FINANCIAL REPORT

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BALANCE SHEET (CONTINUED)

30 June 2008

Prepared by: Chongqing Iron & Steel Company Limited

Unit: RMB'000

Liabilities and shareholders' equity	Note	Closing balance	Opening balance
Short-term loans	V.14	1,523,000	1,720,600
Accounts payable	V.15	1,530,285	1,411,961
Advances from customers	V.16	1,000,847	860,747
Employee benefits payable	V.17	26,561	21,747
Taxes payable	IV.3	118,075	62,951
Interest payable		7,795	2,342
Dividends payable		173,313	—
Other payables	V.18	213,795	71,261
Non-current liabilities due within one year	V.19	130,000	286,000
Total current liabilities		4,723,671	4,437,609
Long-term loans	V.20	2,560,546	1,188,747
Other non-current liabilities		49,624	112,284
Total non-current liabilities		2,610,170	1,301,031
Total liabilities		7,333,841	5,738,640
Share capital	V.21	1,733,127	1,733,127
Capital reserve	V.22	1,164,384	1,164,384
Surplus reserve	V.23	506,849	506,849
Retained earnings	V.24	2,126,223	1,815,601
Total equity		5,530,583	5,219,961
Total liabilities and shareholders' equity		12,864,424	10,958,601

Luo Fu Qin
Legal representative

Song Ying
Chief Financial Officer

Song Ying
Chief Accountant

The notes on pages 38 to 101 form part of these financial statements.

FINANCIAL REPORT

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INCOME STATEMENT

Jan~Jun 2008

Prepared by: Chongqing Iron & Steel Company Limited

Unit: RMB'000

Items	Note	Jan~Jun 2008	Jan~Jun 2007
Operating income	V.26	8,846,607	5,741,852
Less: Operating costs	V.27	7,699,308	4,909,469
Business taxes and surcharges		164	163
Selling and distribution expenses		128,949	110,932
General and administrative expenses		308,234	305,147
Financial expenses		118,784	104,406
Impairment loss		94,625	20,692
Operating profit		496,543	291,043
Add: Non-operating income	V.28	2,431	2,531
Less: Non-operating expenses	V.29	3,895	7,071
Profit before income tax		495,079	286,503
Less: Income tax expenses	V.30	11,144	22,577
Net profit		483,935	263,926
Earnings per share			
Basic earnings per share (RMB)	XI(1)	0.28	0.16
Diluted earnings per share (RMB)	XI(1)	0.28	0.16

Luo Fu Qin
Legal representative

Song Ying
Chief Financial Officer

Song Ying
Chief Accountant

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FINANCIAL REPORT

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CASH FLOW STATEMENT

Jan~Jun 2008

Prepared by: Chongqing Iron & Steel Company Limited

Unit: RMB'000

	Note	Jan~Jun 2008	Jan~Jun 2007
1. Cash flow from operating activities			
Cash received from sales of goods and rendering of services		10,260,682	6,635,650
Other cash received relating to operating activities		1,658	4,910
Sub-total of cash inflows		10,262,340	6,640,560
Cash paid for goods and services		(9,289,660)	(5,667,492)
Cash paid to and for employees		(400,970)	(363,908)
Cash paid for all types of taxes		(300,816)	(344,066)
Other cash paid relating to operating activities		(99,153)	(40,452)
Sub-total of cash outflows		(10,090,599)	(6,415,918)
Net cash inflow from operating activities	V.31	171,741	224,642
2. Cash flows from investing activities			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		6,233	4,127
Other cash received relating to investing activities		5,920	3,815
Sub-total of cash inflows		12,153	7,942
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(609,376)	(549,297)
Sub-total of cash outflows		(609,376)	(549,297)
Net cash inflow from investing activities		(597,223)	(541,355)

The notes on pages 38 to 101 form part of these financial statements.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

CASH FLOW STATEMENT (CONTINUED)

Jan~Jun 2008

Prepared by: Chongqing Iron & Steel Company Limited

Unit: RMB'000

	Note	Jan~Jun 2008	Jan~Jun 2007
3. Cash flows from financing activities			
Cash received from investors		—	977,260
Cash received from borrowings		2,694,055	1,976,173
Sub-total of cash inflows		2,694,055	2,953,433
Cash repayments of borrowings		(1,659,519)	(1,465,738)
Cash payments for dividends, profits distribution or interest		(142,199)	(109,188)
Other cash paid relating to financing activities		—	(1,586)
Sub-total of cash outflows		(1,801,718)	(1,576,512)
Net cash inflows from financing activities		892,337	1,376,921
4. Effect of foreign exchange rate changes on cash and cash equivalents		—	—
5. Net increase/(decrease) in cash and cash equivalents		466,855	1,060,208
Add: Cash and cash equivalents at the beginning of the period		971,082	313,772
6. Cash and cash equivalents at the end of the period	V.31	1,437,937	1,373,980

Luo Fu Qin
Legal representative

Song Ying
Chief Financial Officer

Song Ying
Chief Accountant

The notes on pages 38 to 101 form part of these financial statements.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

STATEMENT OF CHANGES IN EQUITY

Jan~Jun 2008

Prepared by: Chongqing Iron & Steel Company Limited

Unit: RMB'000

Items	Share capital	Capital reserve	Amount of current period			Total
			Treasury stocks	Surplus reserve	Retained earnings	
I. Balance at the end of last period	1,733,127	1,164,384	—	506,849	1,815,601	5,219,961
Add: Changes in accounting policies	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—
II. Balance at the beginning of this period	1,733,127	1,164,384	—	506,849	1,815,601	5,219,961
III. Changes in equity for the period	—	—	—	—	—	—
(I) Net profit for the period	—	—	—	—	483,935	483,935
(II) Gains and losses recognised directly in equity	—	—	—	—	—	—
1. Net changes in fair value of available-for-sale financial assets	—	—	—	—	—	—
2. Effect of changes in equity excluding retained earnings of investees under equity methods	—	—	—	—	—	—
3. Deferred tax effect	—	—	—	—	—	—
4. Others	—	—	—	—	—	—
Sub-total of above item (I) and item (II)	—	—	—	—	483,935	483,935
(III) Shareholder's contributions and decrease of capital	—	—	—	—	—	—
1. Contributions by shareholders	—	—	—	—	—	—
2. Equity settled share-based payments	—	—	—	—	—	—
3. Others	—	—	—	—	—	—
(IV) Appropriation of profits	—	—	—	—	—	—
1. Appropriation for surplus reserve	—	—	—	—	—	—
2. Distribution to shareholders (Note V.25)	—	—	—	—	(173,313)	(173,313)
3. Others	—	—	—	—	—	—
(V) Transfers within equity	—	—	—	—	—	—
1. Share capital increased by capital reserve transfer	—	—	—	—	—	—
2. Share capital increased by surplus reserve transfer	—	—	—	—	—	—
3. Others	—	—	—	—	—	—
IV. Balance at the end of the period	1,733,127	1,164,384	—	506,849	2,126,223	5,530,583

Luo Fu Qin
Legal representative

Song Ying
Chief Financial Officer

Song Ying
Chief Accountant

The notes on pages 38 to 101 form part of these financial statements.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

STATEMENT OF CHANGES IN EQUITY

Jan~Jun 2007

Prepared by: Chongqing Iron & Steel Company Limited

Unit: RMB'000

Items	Share capital	Capital reserve	Amount of last period			Retained earnings	Total
			Treasury stocks	Surplus reserve	Less:		
I. Balance at the end of last period	1,383,127	546,333	—	461,925	1,600,132	3,991,517	
Add: Changes in accounting policies	—	—	—	—	(15,538)	(15,538)	
Correction of prior period errors	—	—	—	—	—	—	
II. Balance at the beginning of this period	1,383,127	546,333	—	461,925	1,584,594	3,975,979	
III. Changes in equity for the period	350,000	618,051	—	—	90,613	1,058,664	
(I) Net profit for the period	—	—	—	—	263,926	263,926	
(II) Gains and losses recognised directly in equity	—	—	—	—	—	—	
1. Net changes in fair value of available-for-sale financial assets	—	—	—	—	—	—	
2. Effect of changes in equity excluding retained earnings of investees under equity methods	—	—	—	—	—	—	
3. Deferred tax effect	—	—	—	—	—	—	
4. Others	—	—	—	—	—	—	
Sub-total of above item (I) and item (II)	—	—	—	—	263,926	263,926	
(III) Shareholder's contributions and decrease of capital	350,000	618,051	—	—	—	968,051	
1. Contributions by shareholders	350,000	618,051	—	—	—	968,051	
2. Equity settled share-based payments	—	—	—	—	—	—	
3. Others	—	—	—	—	—	—	
(IV) Appropriation of profits	—	—	—	—	(173,313)	(173,313)	
1. Appropriation for surplus reserve	—	—	—	—	—	—	
2. Distribution to shareholders (Note V.25)	—	—	—	—	(173,313)	(173,313)	
3. Others	—	—	—	—	—	—	
(V) Transfers within equity	—	—	—	—	—	—	
1. Share capital increased by capital reserve transfer	—	—	—	—	—	—	
2. Share capital increased by surplus reserve transfer	—	—	—	—	—	—	
3. Others	—	—	—	—	—	—	
IV. Balance at the end of the period	1,733,127	1,164,384	—	461,925	1,675,207	5,034,643	

Luo Fu Qin

Legal representative

Song YingSong Ying

Chief Financial Officer

Chief Accountant

The notes on pages 38 to 101 form part of these financial statements.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

NOTES TO FINANCIAL STATEMENTS

I. COMPANY STATUS

Chongqing Iron & Steel Company Limited (the "Company") is a joint stock limited company incorporated in Chongqing on 11 August 1997. The Company's parent company is the Chongqing Iron & Steel Group Company Limited ("Parent Group").

The Company is a joint stock limited company established by the Parent Group as the sole promoter under the approval (Ti Gai Sheng Zi [1997] No. 127) issued by the State Commission for Restructuring Economic Systems under State Council. For the implementation of a part of the restructuring, the Company took over the principal iron and steel business and one of the subsidiaries of the Parent Group, Chongqing Hengda Steel Industrial Co., Ltd. ("Hengda") under the Restructuring Agreement. As the consideration, the Company issued 650,000,000 state-owned legal person shares of RMB1 each to the Parent Group. The assets and liabilities mentioned above has been assessed by Zhongzi Assets Appraisal Office, and the net assets were valued at RMB999,538,500. The legality of the valuation was reviewed and confirmed by the circular (Guo Zi Ping [1997] No. 706) issued by the State-owned Assets Supervision and Administration Bureau.

On 27 August 1997, the Company was approved by the circular (Zheng Wei Fa [1997] No.51) from the Securities Commission of the State Council to issue overseas listed foreign shares. The Company issued 410,000,000 ordinary shares and 3,944,000 ordinary shares for over-allotment on the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on 15 October 1997 and 6 November 2007 respectively. Such shares, with a par value of RMB1, were listed on the Hong Kong Stock Exchange on 17 October 1997 and 10 November 1997 respectively. Upon the issuance of H shares, the Company's total share capital was 1,063,944,000 shares, including 650,000,000 domestic shares and 413,944,000 overseas listed H shares.

On 7 December 1998, as approved by the Ministry of Commerce through the circular (Shang Wai Zi Zi Shen Zi [1998] No. 0087), the Company became a stock limited company with foreign investment.

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I. COMPANY STATUS (CONTINUED)

The Company acquired all assets and liabilities of Hengda in December 2002. Meanwhile, the Company transferred all state-owned shares of Hengda to the Parent Group. Upon the completion of the transaction, the Company did not have investment in subsidiaries any longer.

On 9 August 2006, 319,183,200 bonus shares were distributed to holders of ordinary shares by the Company, at three bonus shares for every ten shares as approved at the AGM held on 9 June 2006. Upon the distribution of bonus shares, the Company's total share capital increased to 1,383,127,200 shares from 1,063,944,000 shares, including 845,000,000 domestic shares and 538,127,200 overseas listed H shares.

As approved by the China Securities Regulatory Commission (CSRC), the Company issued 350,000,000 A shares (Renminbi-denominated domestic shares) and raised a total proceeds of RMB1,008,000,000 on 29 January 2007. Such shares were listed on the Shanghai Stock Exchange on 28 February 2007. Meanwhile, the 845,000,000 non-circulating shares originally held by the Parent Group changed into A shares automatically upon the issuance of the abovementioned A shares. The Parent Group undertook that it would neither transfer or entrust any other party to manage the shares held by it, nor agree the Company to repurchase such shares within 36 months from the listing date of the Company's A shares. Upon the issuance of A shares, the Company's total share capital increased to 1,733,127,200 shares from 1,383,127,200 shares, including 1,195,000,000 domestic A shares and 538,127,200 overseas listed H shares.

The principal activities of the Company are the production and sale of medium-gauge steel plates, steel billets, steel sections, wire rods and coking by-products.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

II. BASIS OF PREPARATION

1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of the China Accounting Standards for Business Enterprises (CAS (2006)) issued by the Ministry of Finance (MOF). These financial statements present truly and completely the financial position, the results of operations and the cash flows of the Company.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports" revised by CSRC in 2007.

2 Accounting year

The accounting year of the Company is from 1 January to 31 December.

3 Measurement basis

The measurement basis used in the preparation of the financial statements is historical cost basis except that the assets and liabilities set out below:

- Financial asset and financial liability at fair value through profit or loss (including financial asset or financial liability held for trading) (See note III.9)
- Available-for-sale financial assets (See note III.9)

4 Functional currency and presentation currency

The Company's functional currency is renminbi. These financial statements are presented in renminbi.

FINANCIAL REPORT

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

This interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

1 Translation of foreign currencies

Foreign currency transactions are, on initial recognition, translated to renminbi at the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the People's Bank of China.

Monetary items denominated in foreign currencies are translated to renminbi at the spot exchange at the balance sheet date. The resulting exchange differences are recognised in profit or loss, except those arising from the principals and interests on foreign currency borrowings specifically for the purpose of acquisition, construction of qualifying assets (see note III.15). Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to renminbi using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale financial assets, which is recognised in capital reserve.

2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3 Inventories

Inventories are carried at the lower of cost or net realisable value.

Cost of inventory comprises all costs of purchase, costs of conversion and other costs. Inventories are initially measured at their actual cost. Cost of inventories is calculated using the weighted average method. In addition to the purchasing cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories. Net realisable value is the estimated selling price in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale.

Reusable materials, such as low-value consumables, packaging materials and other materials, are amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

The Company maintains a perpetual inventory system.

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The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4 Long-term equity investments

The term “control” means that the Group has the power to decide an enterprise’s financial and operating policy, pursuant to which, the Group can get the power to obtain benefits from its operating activities. Where the investor can exercise control over the investee, the investee is a subsidiary of the investor, which shall be included in the consolidated financial statements of the investors.

Joint control is the contractually agreed sharing of control over an economic activity, which does not exist unless the agreements are required from investing parties sharing the control power for important financial and operating decisions related to the economic activity. Where the investor can jointly control over the investee with other parties, the investee is joint venture of the investor and the said parties.

Significant influence is the power to participate in the financial and operating policy decisions of an enterprise, but to fail to control or joint control the formulation of such policies together with other parties. Where the investor can exercise significant influence over the investee, the investee is association of the investor.

The Company has no investment on the subsidiaries, joint ventures or associations.

Other long-term equity investments refer to investments for which the Company does not have the right to control, have joint control or exercise significant influence over the investees, and for which the investments are not quoted in an active market and their fair value cannot be reliably measured.

In initial reorganisation of other long-term equity investment, for a long-term equity investment acquired by cash payment, the initial investment cost shall be the actual purchase price that has been paid and subsequently measured based on cost. As at the end of the period, provision for impairment of long-term equity investments is made according to Note III.9.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5 Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Company for use in the production of goods or for operation and administrative purposes with useful lives over one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment provision (see note III.8). Construction in progress is stated in the balance sheet at cost less impairment provision (see note III.8).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.15), and any other costs directly attributable to bringing the asset to working condition for its intended use.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of fixed asset have different useful lives or provide benefits to the Company in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5 Fixed assets and construction in progress (Continued)

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives, residual values and depreciation rates of each class of fixed assets are as follows:

	Estimated useful life	Estimated residual value	Depreciation rate
Plant and buildings	40 years	3%	2.43%
Machine equipment and other equipment	8-20 years	3%	4.85%-12.13%
Motor vehicles	8 years	3%	12.13%

Useful lives, residual values and depreciation methods are reviewed at at least each year-end.

6 Leases

(a) Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term.

(b) Assets leased out under operating leases

Provision for depreciation of assets leased out by way of operating leasing is made under depreciation policy set out in Notes III.5, and impairment provision is made under accounting policy set out in Notes III.8. Lease income from assets leased out by way of operating leasing is recognized as income using the straight-line method over the lease term. Substantial initial direct costs arising from assets leased out by way of operating leasing shall be capitalized, and be included in the current profits and losses on the same basis with recognising lease income over its life; Unsubstantial initial direct costs shall be directly included in the current profits and losses.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7 Intangible Assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Notes III.8). For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on the straight-line method over its estimated useful life. The respective amortisation periods for such intangible assets are as follows:

	Useful life
Land use right	50 years
Trademark use right	10 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company. At the balance sheet date, the Company doesn't have any intangible assets with indefinite useful lives.

Expenditures on an internal research and development project are classified into expenditures on the research phase and expenditures on the development phase. Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products or processes before the start of commercial production or use.

Expenditures on research phase are recognised in profit or loss when incurred. Expenditures on development phase are capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Company intends to and has sufficient resources to complete development. Capitalised development costs are stated at cost less impairment losses (see Note III.8). Other development expenditures are recognised as expenses in the period in which they are incurred.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8 Impairment of non-financial long-term assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

- Fixed assets
- Construction in progress
- Intangible assets

If any indication exists that an asset may be impaired, recoverable amount of the asset is estimated.

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Company also considers how management monitors the Company's operations and how management makes decisions about continuing or disposing of the Company's assets.

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value less costs to sell and its present value of expected future cash flows.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8 Impairment of non-financial long-term assets (Continued)

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, that the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

An impairment loss is not reversed in subsequent periods.

9 Financial Instruments

The financial instruments of the Company comprise Cash and bank balance, accounts receivables, prepayments, accounts payables, borrowings and equities.

(a) Recognition and Measurement of Financial Assets and Financial Liabilities

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party to the contractual provisions of a financial instrument.

The Company classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9 Financial Instruments (Continued)

(a) Recognition and Measurement of Financial Assets and Financial Liabilities (Continued)

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs. Subsequent to initial recognition financial assets and liabilities are measured as follows:

- Financial asset and financial liability at fair value through profit or loss (including financial asset or financial liability held for trading)

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is a derivative.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

- Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, receivables are subsequently stated at amortised cost using the effective interest method.

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are stated at amortised cost using the effective interest method.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9 Financial Instruments (Continued)

(a) Recognition and Measurement of Financial Assets and Financial Liabilities (Continued)

— Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sales and other financial assets which do not fall into any of the above categories.

An investment in equity instrument which does not have a quoted market price in an active market and whose fair value cannot be reliably measured is measured at cost subsequent to initial recognition.

Besides investments in equity instruments whose fair value cannot be measured reliably as described above, subsequent to initial recognition, other available-for-sale financial assets are measured at fair value and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, which are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is removed from equity and recognised in profit or loss.

— Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Among other financial liabilities, financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Company issues a financial guarantee, subsequent to initial recognition, the guarantee is measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles of contingent liabilities (see Note III.12).

Except for the other financial liabilities described above, subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9 Financial Instruments (Continued)

(b) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided.

— Receivables and held-to-maturity investments

Held-to-maturity investments are assessed for impairment on an individual basis. Receivables are assessed for impairment both on an individual basis and on a collective group basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable or held-to-maturity investment is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observative figures reflecting present economic conditions.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

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The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9 Financial Instruments (Continued)

(b) Impairment of financial assets (Continued)

- Available-for-sale financial assets and other long-term equity investments

Available-for-sale financial assets and other long-term equity investment are assessed for impairment on an individual basis.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

For other long-term equity investments (refer to Note III.4), the amount of the impairment loss is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(c) Determination of fair values

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price and, for a financial asset to be acquired or a financial liability assumed, it is the current asking price.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis. The Company calibrates the valuation technique and tests it for validity periodically.

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The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9 Financial Instruments (Continued)

(d) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Company's contractual rights to the cash flows from the financial asset expire or if the Company transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria of the derecognition, the difference between the two amounts below is recognised in profit or loss:

- Carrying amount of the financial asset transferred
- The sum of the consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the shareholder's equity.

The Company derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

(e) Equity instruments

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Company.

The consideration received from the issuance of equity instruments net of transaction costs is recognised in share capital and capital reserve.

Consideration and transaction costs paid by the Company for repurchasing its own equity instrument are deducted from shareholders' equity.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10 Employee benefits

Employee benefits are all forms of considerations given and other related expenditures incurred in exchange for services rendered by employees. Employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or expenses in the current period.

(a) Retirement benefits

Pursuant to the relevant laws and regulations of the PRC, the Company has joined a defined contribution basic retirement scheme for the employees arranged by local Labour and Social Security Bureaus. The Company makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local Labour and Social Security Bureaus are responsible for the payment of the basic retirement benefits to the retired employees. In addition, the Company also participated in the non-social retirement benefit plans organised by the Parent Group for employees.

(b) Housing fund and other social insurances

Besides the retirement benefits, pursuant to the relevant laws and regulations of the PRC, the Company has joined defined social security contributions for employees, such as a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Company makes contributions to the housing fund and other social insurances mentioned above at the applicable rate(s) based on the employees' salaries. The contributions are recognised as cost of assets or charged to profit or loss on an accrual basis. The Company makes direct contribution to plans of employee basic housing fund, basic social pension, unemployment insurance, injury insurance and maternity insurance organised by Labour and Social Security Bureaus, and makes welfare contribution to other social insurances through the Parent Group.

Save for the above retirement benefits, housing fund and other social insurances as required, the Company has no additional commitment to other retirement benefits and social insurances benefits. The Parent Group is liable for payment of any other payable employee retirement benefits and social insurances other than the above-mentioned retirement benefits, housing fund and other social insurances.

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The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11 Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carryforward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss).

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

12 Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

In terms of a possible obligation resulting from a past transaction or event, whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow can not be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13 Revenue recognition

Revenue is the gross inflow of economic benefit in the periods arising in the course of the Company's ordinary activities when the inflows result in increase in shareholder's equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit and loss when it is probable that the economic benefits will flow to the Company, the revenue and costs can be measured reliably and the following respective conditions are met. Revenue is recognised in following ways:

(a) *Sale of goods*

Revenue from sale of goods is recognised when all of the general conditions stated above and following conditions are satisfied:

- The significant risks and rewards attached to ownership of the goods have been transferred to the buyers;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the considerations received or receivable under the sales contract or agreement.

(b) *Interest income*

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14 Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Company at no consideration except for the capital contribution from the government as a shareholder of the Company. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of “capital reserve” are dealt with as capital contributions, and not regarded as government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Company will comply with the conditions associated with the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Company for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Company for expenses incurred is recognised in profit or loss immediately.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15 Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction of a qualifying asset are capitalised as part of the cost of the asset.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

In the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.
- Where funds are borrowed generally and used for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the carrying amount of the borrowings.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction or production that are necessary to prepare the asset for its intended use or sale are in progress, and ceases when the assets become ready for their intended use or sale. Capitalisation of borrowing costs is suspended when the acquisition, construction activities are interrupted abnormally and the interruption lasts over three months.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16 Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date but disclosed in the notes separately.

17 Related parties

If the Company has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Company and one or more parties are subject to common control, jointly control, or significant influence from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Company. The Company's related parties include, but are not limited to:

- (a) the Company's parent;
- (b) the Company's subsidiaries;
- (c) enterprises that are controlled by the Company's parent;
- (d) investors that have joint control over the Company;
- (e) investors that exercise significant influence over the Company;
- (f) joint ventures of the Company;
- (g) associates of the Company;
- (h) principal individual investors and close family members of such individuals;
- (i) key management personnel of the Company and close family members of such individuals;
- (j) key management personnel of the Company's parent;

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17 Related parties (Continued)

- (k) close family members of key management personnel of the Company's parent; and
- (l) other enterprises that are controlled, jointly controlled or significantly influenced by principal individual investors, key management personnel of the Company, and close family members of such individuals.

Besides the related parties stated above determined in accordance with the requirements of CAS (2006), the following enterprises and individuals are considered as (but not restricted to) related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC:

- (m) enterprises that hold 5% or more of the Company's shares or persons that act in concert;
- (n) individuals who directly or indirectly hold 5% or more of the Company's shares and close family members of such individuals;
- (o) enterprises that satisfy any of the aforesaid conditions in (a), (c) and (m) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement;
- (p) individuals who satisfy any of the aforesaid conditions in (i), (j) and (n) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement; and
- (q) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (i), (j), (n) or (p), or in which such individual assumes the position of a director or senior executive.

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**III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)****18 Significant accounting estimates and judgments**

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Except for data about the assumptions and risk factors relating to fair value of financial instruments, other key sources of estimation uncertainty are as follows:

(a) Impairment of receivables

As described in Note III.9(b), receivables that are measured at amortisation cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Company about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed.

(b) Impairment of non-financial long-term assets

As described in Note III.8, non-financial long-term assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, impairment loss is provided.

The recoverable amount of an asset (asset group) is the greater of its net selling price and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumption.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18 Significant accounting estimates and judgments (Continued)

(c) Depreciation and amortisation

As described in Note III.5 and 7, fixed assets and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual value. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation is revised.

IV. TAXATION

1 The types of taxes applicable to the Company's sale of goods and rendering of services include business tax and value added tax.

Business tax rate:	5%
Value added tax rate:	17%

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IV. TAXATION (CONTINUED)

2 Income tax

The Company applies the liability method for accounting of income tax. The applicable income tax rate for the Company for the year is 15% (2007: 15%).

- (a) The Company is approved as a foreign-invested joint stock limited company under the approval ([1998] Wai Jing Mao Zi Er Han Zi No. 748) issued by the Ministry of Foreign Trade and Economic Cooperation of the PRC on 7th December 1998. As a production enterprise with foreign investment established at the riverside of Yangtse River, the Company was originally entitled to a preferential income tax rate of 24% in accordance with "The Notice issued by the State Tax Bureau on Taxation Policy Concerning Foreign Invested Enterprises for Further Opening of Frontier, Coastal, Inland and Riverside Cities" (Guo Shui Fa [1992] No. 218). In April 2003, the Company obtained the "Reply to Application of Preferential Enterprise Income Tax for Enterprises in Western Development by Chongqing Iron & Steel Company Limited" (Yu Guo Shui Han [2003] No. 57) issued by the State Administration of Taxation of Chongqing on 17th February 2003 and the "Reply to Application of Preferential Enterprise Income Tax for Enterprises in Western Development by Chongqing Iron & Steel Company Limited" (Da Dukou Guo Shui Han [2003] No. 8) issued by the State Administration of Taxation of Da Dukou District, Chongqing on 21st February 2003. In accordance with these approvals, the Company is entitled to the preferential income tax policy applicable to enterprises in the western development region and the income tax rate is reduced to 15% for the period from 2001 to 2010. In addition, in accordance with the Notice on Issuing Some Policies for Encouraging Foreign Investment by the People's Government of Chongqing Municipality (YFF[1998]43), the Company was exempted from local income tax.

Enterprise Income Tax Law of the PRC ("new PRC EIT law") has been approved by 5th Session of the 10th National People's Congress on 16 March 2007, and came into force from 1 January 2008. According to the Notice by the PRC State Council on the Implementation of the Grandfathering Preferential Policies under the PRC Enterprise Income Tax Law (Decree No. [2007] 39) issued by State Council on 2 December 2007, the new PRC EIT law provides that, as from 1st January 2008, the enterprises that have been granted tax concessions under the tax preferential policies in the grand development of China's Western region shall continue to enjoy the tax concessions until the expiry day in accordance with the tax preferences under the old income tax law, regulations and relevant provisions. Therefore, the income tax rate applicable to the Company is still 15% from 1 January 2008 to 31 December 2010. The new PRC EIT law has no impact on the carrying amount of tax payable in the balance sheet as at 30 June 2008.

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The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

IV. TAXATION (CONTINUED)

2 Income tax (Continued)

- (b) The Company purchased certain domestic manufactured equipment during the period from 2004 to 2005. In accordance with Cai Shui Zi [2000] No. 49 "The Notice concerning the Reduction in Corporate Income Tax for Purchase of Domestic Manufactured Equipment by Enterprises with Foreign Investment and Foreign Enterprises" issued by the Ministry of Finance and the State Administration of Taxation, part of the purchase costs of the domestic manufactured equipment could be utilised to reduce the Company's enterprise income tax.

In accordance with Guo Shui Fa [2008] No. 52 "Notice Relating to the Cessation of the Enterprise Income Tax Credit Policy for Domestically Manufactured Equipment" issued by the State Administration of Taxation, the Company has not yet applied for the utilisation in corporate income tax for purchase of domestically-manufactured equipment as well as confirmed unutilised corporate income tax credit since Jan.1 2008.

3 Taxes payable

	Closing balance RMB'000	Opening balance RMB'000
Value-added tax payable	89,614	57,367
Business tax payable	19	56
Income tax payable	25,942	3,510
Others	2,500	2,018
Total	118,075	62,951

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

V. NOTES TO THE FINANCIAL STATEMENTS

1 Cash at bank and on hand

	Closing balance			Opening balance		
	Original currency '000	Exchange rate	RMB equivalents RMB'000	Original currency '000	Exchange rate	RMB equivalents RMB'000
Cash on hand						
— RMB	677	1.00	677	681	1.00	681
Deposits with banks						
— RMB	1,390,609	1.00	1,390,609	777,768	1.00	777,768
— US\$	2,322	6.86	15,927	9,714	7.30	70,958
— HK\$	42	0.88	36	41	0.94	39
Other monetary funds						
— RMB	61,357	1.00	61,357	134,169	1.00	134,169
— US\$	8,904	6.86	61,074	15,095	7.30	110,264
Total			1,529,680			1,093,879

Other monetary funds include:

	Closing balance RMB'000	Opening balance RMB'000
Guarantee for letter of credit	91,743	859
Guarantee for bills	—	121,938
Deposit check in bank	—	115,000
Fund in float	30,688	6,636
Total	122,431	244,433

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Bills receivable

All bills receivable held by the Company are bank acceptance due within six months.

No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of bills receivable. Bills receivables due from related parties are set out in Notes IX.4(b).

3 Accounts receivable

(1) Accounts receivable by customer type:

	Closing balance RMB'000	Opening balance RMB'000
Amount due from related parties	115,769	103,038
Amounts due from other customers	271,954	198,807
Sub-total	387,723	301,845
Less: Provision for bad and doubtful debts	155,054	154,959
Total	232,669	146,886

The Company's accounts receivable due from related parties amounted to RMB 115,769,000 (2007:RMB103,038,000) (refer to Notes IX.4(a)), 30% of the total account receivables (2007: 34%).

No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of accounts receivable.

FINANCIAL REPORT

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Accounts receivable (Continued)

(1) Accounts receivable by customer type: (Continued)

At 30 June 2008, the total amounts of accounts receivable due from the Company's biggest five debtors are as follows:

	Closing balance	Opening balance
Amounts (RMB'000)	190,328	119,295
Percentage of accounts receivable	49%	40%

The analysis on years past due:

	Closing balance RMB'000	Opening balance RMB'000
Within 3 months (inclusive)	190,328	104,698
4-12 months (inclusive)	—	—
1-2 years (inclusive)	—	—
2-3 years (inclusive)	—	—
Over 3 years	—	14,597
Sub-total	190,328	119,295
Less: Provision for bad and doubtful debts	—	14,597
Total	190,328	104,698

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Accounts receivable (Continued)

(2) The ageing analysis of accounts receivable is as follows:

Amounts due from related parties:

	Closing balance RMB'000	Opening balance RMB'000
Within 3 months (inclusive)	94,312	81,112
4-12 months (inclusive)	2,103	457
1-2 years (inclusive)	1,639	3,819
2-3 years (inclusive)	1,255	5,028
Over 3 years	16,460	12,622
Sub-total	115,769	103,038
Less: Provision for bad and doubtful debts	10,079	10,079
Total	105,690	92,959

Amount due from other customers:

	Closing balance RMB'000	Opening balance RMB'000
Within 3 months (inclusive)	124,813	48,068
4-12 months (inclusive)	808	4,679
1-2 years (inclusive)	1,476	1,557
2-3 years (inclusive)	582	491
Over 3 years	144,275	144,012
Sub-total	271,954	198,807
Less: Provision for bad and doubtful debts	144,975	144,880
Total	126,979	53,927

The ageing is counted starting from the date accounts receivable is recognised.

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Accounts receivable (Continued)

(3) An analysis of provision for bad and doubtful debts is as follows:

	Closing balance				Opening balance			
	Amount	Percentage of total accounts receivable	Bad debts provision	Rate of provision	Amount	Percentage of total accounts receivable	Bad debts Provision	Rate of provision
	RMB'000		RMB'000		RMB'000		RMB'000	
Individually significant	190,328	49%	—	—	119,295	40%	(14,597)	12%
Individually insignificant but with a material portfolio credit risk	147,141	38%	(144,975)	99%	135,842	45%	(130,283)	96%
Other immaterial items	50,254	13%	(10,079)	20%	46,708	15%	(10,079)	22%
Total	387,723	100%	(155,054)	40%	301,845	100%	(154,959)	51%

For amounts due from related companies, the provision for bad debt is individually assessed. As at 30 June 2008, the Company's amounts due from related parties with aging over 3 years mainly include the amount of RMB10,079,000 due from Chongqing Iron & Steel Group Yingsite Mould Company Limited and Chongqing Iron & Steel Group Thermal Ceramics Company Limited. Due to unsatisfied financial conditions of Chongqing Iron & Steel Group Yingsite Mould Company Limited, the Company's management considered that there was a slight possibility for recovering the amount. Therefore, a provision of RMB2,710,000 was made for bad debts in full in 2005; Due to cession of business and restructuring of Chongqing Iron & Steel Group Thermal Ceramics Company Limited in 2006, the Company's management considered that there was a slight possibility for recovering the amount. Therefore, a provision of RMB7,369,000 was made for bad debts in full in 2006.

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Accounts receivable (Continued)

(3) An analysis of provision for bad and doubtful debts is as follows: (Continued)

For amounts due from other companies, taking into account aging as credit risk features, account receivables individually insignificant and account receivables individually significant without impairment provision after standalone test, based on actual loss ratio of accounts receivable groups that are the same as or similar to them with similar risk features in prior year, and current positions and relevant information, provision is made for the bade debts for accounts receivables group as follows:

Aging	Percentage of provision
4 to 12 months	5%
1 to 2 years	25%
2 to 3 years	50%
Over 3 years	100%

In current period, the Company has written off irrecoverable accounts receivable and bad debt provision with ageing over 3 years, totalling RMB161,000 (2007: RMB1,427,000).

4 Prepayments

The ageing analysis of prepayments is as follows:

	Closing balance		Opening balance	
	Amount RMB'000	Percentage	Amount RMB'000	Percentage
Within 1 year (inclusive)	414,887	93.06%	1,029,849	97.79%
1~2 years (inclusive)	22,296	5.00%	14,125	1.34%
2~3 years (inclusive)	8,598	1.93%	9,167	0.86%
Over 3 years	28	0.01%	28	0.01%
Total	445,809	100%	1,053,169	100%

The ageing is counted starting from the date prepayments if recognized.

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Other receivables

	Closing balance RMB'000	Opening balance RMB'000
Other receivables	39,550	30,345
Less: Provision for bad and doubtful debts	11,718	11,718
Total	27,832	18,627

No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of other receivables.

At 30 June 2008, the total amounts of accounts receivable due from the Company's biggest five debtors are as follows:

	Closing balance RMB'000	Opening balance RMB'000
Amounts	21,360	17,958
Year past due	1 to 3 years	1 to 3 years
Percentage of other receivables	54%	59%

(1) Aging analysis of other receivables is as follows:

	Closing balance		Opening balance	
	Amount RMB'000	Percentage	Amount RMB'000	Percentage
Within 1 year (inclusive)	27,237	68.87%	18,812	61.99%
1-2 years (inclusive)	3,169	8.01%	293	0.97%
2-3 years (inclusive)	5,016	12.68%	5,109	16.84%
Over 3 years	4,128	10.44%	6,131	20.20%
Total	39,550	100%	30,345	100%

The ageing is counted starting from the date of recognition of other receivables.

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Other receivables (Continued)

(2) Analysis of provision for bad and doubtful debts for other receivables is as follows:

	Closing balance				Opening balance			
	Amount RMB'000	Percentage	Bad debts provision RMB'000	Rate of provision	Amount RMB'000	Percentage	Bad debts provision RMB'000	Rate of provision
		of total other				of total other		
		receivables				receivables		
Individually significant	22,888	58%	9,528	42%	17,350	57%	9,528	55%
Other immaterial items	16,662	42%	2,190	13%	12,995	43%	2,190	17%
Total	39,550	100%	11,718	30%	30,345	100%	11,718	39%

For other receivables, provision for bad debts is made on the basis of individual evaluation.

During the year ended 31 December 2005, the Company had received verdicts and enforcement orders from certain courts ("the Courts"), including the People's Courts of Neijiang, Sichuan Province of the PRC, in relation to certain debts owed by Chongqing Special Steel (Group) Limited Company ("CSSG"; former subsidiary of the Parent Group who ceased to have shareholding relationship with the Holding Company since June 2003) and the Parent Group to their creditors amounting to RMB18,340,000 and RMB18,200,000, respectively. According to these verdicts and enforcement orders, the Company was requested to withhold in aggregate RMB36,540,000 dividend attributable to the Holding Company ("the Dividend"). The Company did not withhold the Dividend and without notifying the Company, two of the Courts seized drawn RMB4,528,000 and RMB1,059,000 from the Company's bank accounts in 2005 and 2006 respectively, totalling RMB5,587,000.

In November 2006, as the Holding Company settled its debts amounting to RMB18,200,000, the Courts repealed those verdicts and enforcement orders against the Holding Company, and accordingly the Company was not required to assist the execution of the verdicts.

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Other receivables (Continued)

- (2) Analysis of provision for bad and doubtful debts for other receivables is as follows:
(Continued)

As at the date of these financial statements are approved for issue, the case relating to the debts of RMB18,340,000 owed by CSSG has not been finalised. Based on the advice from the Company's legal counsellor, management of the Company is of the view that the verdicts and the enforcement orders made by the Courts are without merit as CSSG is no longer associated with the Holding Company or the Company, and accordingly the Company has no obligation to assist the execution of the order against CSSG. The Company has appealed to the Courts and seek assistance and resolution from relevant higher courts, Municipal Governments and Standing Committee of the People's Congress. The State Supreme Court of The People's Republic of China issued The Notice Of Exemption for Obligation of Chongqing Iron and Steel Company (Group) Limited Related To The Cases Of CSSG's Residual Debts (Fa (Zhi) Ming Chuan [2007])("the notice") to The Supreme Court of Sichuan Province at 2007 May 25. According to the notice, since the cases of CSSG's residual debts were still in the process of coordinating, The Supreme Court of Sichuan Province should suspend the execution of these cases until receive final comments from The State Supreme Court of The People's Republic.

As the recoverability of the bank deposits under seizure (recorded as other receivables) is uncertain, management of the Company made a full provision of RMB5,587,000 in prior years.

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Inventories

(1) An analysis on the movements of inventories for the year is as follows:

	Opening balance at the beginning of the period <i>RMB'000</i>	Addition during the period <i>RMB'000</i>	Reduction during the period <i>RMB'000</i>	Closing balance at the end of the period <i>RMB'000</i>
Raw materials	1,590,793	6,897,011	(6,218,535)	2,269,269
Work in process	649,653	7,524,903	(7,698,710)	475,846
Finished goods	152,337	7,698,711	(7,684,241)	166,807
Consumables	317,883	185,173	(165,590)	337,466
Sub-total	2,710,666	22,305,798	(21,767,076)	3,249,388
Less: Provision for diminution in value of inventories	50,421	27,856	(1,970)	76,307
Total	2,660,245	22,277,942	(21,765,106)	3,173,081

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6 Inventories (Continued)

(2) An analysis on provision for diminution in value of inventories is as follows:

	Opening balance RMB'000	Provision made in the period RMB'000	Reversal in the period RMB'000	Closing balance RMB'000
Raw materials	2,405	1,345	—	3,750
Work in process	1,118	5,768	—	6,886
Finished goods	1,970	—	(1,970)	—
Consumables	44,928	20,743	—	65,671
Total	50,421	27,856	(1,970)	76,307

Provisions for impairment of inventories are mainly the provisions made for obsolete raw materials, work in process and consumables and finished goods with net realizable value lower than inventory cost.

7 Other long-term equity investment

Long-term equity investment is made by the Company in Xiamen Shipbuilding Industry Co., Ltd., a non-listing company. With an initial investment of RMB5,000,000, the Company held 2% equity interest in it since March 2002. The Company does not control, jointly control nor has significant influence over it.

At 30 June 2008, other long-term equity investments of the Company are as follows:

Xiamen Shipbuilding Industry Co., Ltd.	RMB'000
Investment costs	
Balance at the beginning/ending of the period	5,000
Less: Provision for impairment	
Balance at the beginning/ending of the period	—
Book value	
Opening/closing book value for the period	5,000

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Fixed assets

	Plant and buildings RMB'000	Machinery and other equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost				
As at the beginning of the period	2,301,464	5,882,729	26,517	8,210,710
Reclassification	1,109	(1,109)	—	—
Transfer from construction in progress	25,656	74,582	1,236	101,474
Additions	2,185	227	—	2,412
Disposals	(1,775)	(7,374)	(4,558)	(13,707)
Transfer to construction in progress	(8,170)	(51,660)	—	(59,830)
As at the end of the period	2,320,469	5,897,395	23,195	8,241,059
Accumulated depreciation				
As at the beginning of the period	(804,694)	(2,113,435)	(15,997)	(2,934,126)
Reclassification	(397)	397	—	—
Charge for the period	(26,953)	(130,172)	(1,186)	(158,311)
Written back on disposals	188	1,872	4,051	6,111
Transfer to construction in progress	7,757	19,146	—	26,903
As at the end of the period	(824,099)	(2,222,192)	(13,132)	(3,059,423)
Less: Provision for impairment				
As at the beginning of the period	3,676	22,104	1,134	26,914
Reclassification at the beginning of the period	—	—	—	—
Charge for the period	5,568	62,915	—	68,483
Written back on disposals	—	(75)	—	(75)
As at the end of the period	9,244	84,944	1,134	95,322
Net book value				
As at the end of the period	1,487,126	3,590,259	8,929	5,086,314
As at the beginning of the period	1,493,094	3,747,190	9,386	5,249,670

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Construction in progress

Cost	RMB'000
Balance at the beginning of the period	124,830
Additions during the period	206,554
Transfer from fixed assets	32,927
Transferred to fixed assets	(101,474)
Balance at the end of the period	262,837

At 30 June 2008, The Company's major constructions in progress are set out as follows:

Construction Project	Budget RMB'000	Beginning balance RMB'000	Additions in the period RMB'000	Transfer in RMB'000	Transfer to fixed assets RMB'000	Closing balance RMB'000	Percentage	Sources
							of input to budget	of fund
4100 mm wide-thick steel plates	1,918,000	23,056	17,594	—	—	40,650	2%	Bank loans/ self-financing
Hot-rolled strip	1,400,000	1,414	128,829	—	—	130,243	9%	Bank loans/ self-financing
Heat treatment production line	260,000	1,460	22,054	—	(23,514)	—	95%	Bank loans/ self-financing
Overhaul to No. 2 coke oven and technological renovation of support facilities	88,355	13,928	17,583	2,833	(34,344)	—	117%	Bank loans/ self-financing
Technological renovation for the transportation and handling yard of large-scale finishing roller	49,968	648	—	5,420	(6,068)	—	86%	Bank loans/ self-financing
Overhaul and renovation of No.7 Wharf	28,000	25,024	1,263	—	—	26,287	94%	Bank loans/ self-financing
Others	—	59,300	19,231	24,674	(37,548)	65,657		
Total		124,830	206,554	32,927	(101,474)	262,837		

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Construction materials

Construction materials mainly represent the equipment for 4100 mm wide-thick steel plates project and Hot-rolled strip project.

11 Intangible assets

	Land use rights RMB'000	Trademark rights RMB'000	Total RMB'000
Cost			
Balance at the beginning of the period	27,665	6,478	34,143
Addition for the period	230,052	—	230,052
Balance at the end of the period	257,717	6,478	264,195
Accumulative amortization			
Balance at the beginning of the year	(1,845)	(6,478)	(8,323)
Charge for the period	(2,218)	—	(2,218)
Balance at the end of the period	(4,063)	(6,478)	(10,541)
Carrying Amounts			
At the end of the period	253,654	—	253,654
At the beginning of the period	25,820	—	25,820

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Deferred tax assets and liabilities

	Closing balance		Opening balance	
	Deductible temporary differences RMB'000	Deferred tax Assets RMB'000	Deductible temporary differences RMB'000	Deferred tax Assets RMB'000
Deferred tax assets				
Provision for bad debt and doubtful debts	1,675	251	1,419	213
Provision for diminution in value of inventories	46,780	7,017	18,924	2,839
Provision for impairment against of fixed assets	95,322	14,298	28,514	4,277
Total	143,777	21,566	48,857	7,329

13 Provision for impairment

At 30 June 2008, the provisions for impairment of the Company are set out as follows:

	Balance at the beginning of the period	Charge for the period	Decrease during the period		Balance at the end of the period
	RMB'000	RMB'000	Reversal RMB'000	Write-off RMB'000	RMB'000
Accounts Receivable	154,959	256	—	(161)	155,054
Other Receivables	11,718	—	—	—	11,718
Inventories	50,421	27,856	(1,970)	—	76,307
Fixed assets	26,914	68,483	—	(75)	95,322
Total	244,012	96,595	(1,970)	(236)	338,401

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Short-term loans

	Annual interest rate	Principle RMB'000	Currency	Closing balance		
				Exchange rate	RMB equivalent RMB'000	Credit/mortgage guarantee/pledge
Bank loans						
Unsecured loans	7.23%~7.47%	215,000	RMB	1.00	215,000	Credit
Guaranteed loans	7.23%~7.84%	1,308,000	RMB	1.00	1,308,000	Guarantee
Total					1,523,000	

	Annual interest rate	Principle RMB'000	Currency	Opening balance		
				Exchange rate	RMB equivalent RMB'000	Credit/mortgage guarantee/pledge
Bank loans						
Unsecured loans	6.43%~7.22%	317,000	RMB	1.00	317,000	Credit
Secured loans	6.14%~6.73%	136,600	RMB	1.00	136,600	Mortgage
Guaranteed loans	6.12%~8.02%	1,267,000	RMB	1.00	1,267,000	Guarantee
Total					1,720,600	

The guaranteed loans are guaranteed by the Parent Group (Note IX.3(c)).

No amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of short-term loans.

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Accounts payable

No amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of accounts payable.

16 Advances from customers

No amount due to shareholders who hold 5% or more of the voting rights of the Company is included in the balance of advances from customers.

17 Employee benefits Payable

	Balance at the beginning of the period RMB'000	Accrued during the period RMB'000	Paid during the period RMB'000	Balance at the end of the period RMB'000
Salaries, bonus, allowances	12,732	261,504	(263,403)	10,833
Staff welfare fees	—	6,123	(6,123)	—
Social insurance				
Medical insurance premium	—	39,199	(39,199)	—
Basic old age insurance premium	1,045	52,303	(49,998)	3,350
Unemployment insurance premium	5,082	5,342	(2,023)	8,401
Staff and workers' injury insurance premium	—	2,158	(2,158)	—
Maternity insurance premium	—	1,163	(1,163)	—
Housing fund	—	18,560	(18,560)	—
Labor union fee, staff and workers' education fee	2,888	8,991	(7,902)	3,977
Others	—	10,441	(10,441)	—
Total	21,747	405,784	(400,970)	26,561

18 Other payables

Except for the above payables shown in Note IX.4(c), no amount due to the shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of other payables.

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Non-current liabilities due within one year

	Annual interest rate	Principle RMB'000	Currency	Closing balance		
				Exchange rate	RMB equivalent RMB'000	Credit/mortgage guarantee/pledge
Unsecured loans	7.23%	60,000	RMB	1.00	60,000	Credit
Guaranteed loans	7.56%	70,000	RMB	1.00	70,000	Guaranteed
Total					130,000	

	Annual interest rate	Principle RMB'000	Currency	Opening balance		
				Exchange rate	RMB equivalent RMB'000	Credit/mortgage guarantee/pledge
Secured loans	6.43%~7.43%	220,000	RMB	1.00	220,000	Mortgage
Guaranteed loans	7.03%~7.56%	66,000	RMB	1.00	66,000	Guaranteed
Total					286,000	

Guaranteed loans are guaranteed by the Parent Group (Note IX. 3(c)).

No amount due to the shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of long-term loans due within one year.

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Long-term loans

	Annual interest rate	Principle RMB'000	Currency	Closing balance		Credit/mortgage guarantee/pledge
				Exchange rate	RMB equivalent RMB'000	
Bank loans						
Unsecured loans	7.43%~7.92%	904,000	RMB	1.00	904,000	Credit
Guaranteed loans						
— RMB	7.41%~7.74%	1,245,000	RMB	1.00	1,245,000	Guaranteed
— USD	4.16%~5.85%	60,000	USD	6.86	411,546	Guaranteed
Total					2,560,546	

	Annual interest rate	Principle RMB'000	Currency	Opening balance		Credit/mortgage guarantee/pledge
				Exchange rate	RMB equivalent RMB'000	
Bank loans						
Unsecured loans	7.23%~7.47%	150,000	RMB	1.00	150,000	Credit
Secured loans	6.48%~7.92%	230,000	RMB	1.00	230,000	Mortgage
Guaranteed loans						
— RMB	7.32%~7.56%	575,000	RMB	1.00	575,000	Guaranteed
— USD	5.78%~6.08%	32,000	USD	7.30	233,747	Guaranteed
Total					1,188,747	

The guaranteed loans are guaranteed by the Parent Group (see Note IX.3(c)).

No amount due to the shareholders who hold 5% or more of the voting rights of the Company is included in the above balance of long-term loans.

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Share capital

The Company's share capital status at 30 June is as follows:

	Closing balance RMB'000	Opening balance RMB'000
(1) Shares subject to selling restrictions		
— Shares held by state-owned legal persons	845,000	845,000
(2) Shares not subject to selling restrictions		
— RMB-denominated ordinary shares		
— Domestically listed A Shares	350,000	350,000
— Overseas listed foreign shares		
— Hong Kong Listed H Shares	538,127	538,127
Total	1,733,127	1,733,127

In February 2007, the Company issued 350,000,000 A shares to the public investors at a price of RMB2.88 per share and raised a total proceeds of RMB1,008,000,000, of which, RMB39,949,000 was used to cover the issuance expenses. The Company's A shares were listed on Shanghai Stock Exchange on 28 February 2007. Meanwhile, the 845,000,000 non-circulating shares originally held by the Parent Group changed into A shares automatically upon the issuance of the abovementioned A shares. the Parent Group undertook that they would neither transfer or entrust others to manage shares held by them, nor agree the Company to repurchase such shares within 36 months from the listing date of the Company's A shares.

The issued and fully paid share capital for the year has been verified by Zhong Lei Certified Public Accountants Co., Ltd, who issued a relevant capital verification report (Zhong Lei Yan Zi [2007] No. 8001) on 13 February 2007.

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Capital reserve

	Opening balance RMB'000	Additions in the period RMB'000	Settlements /transfers in in the period RMB'000	Closing balance RMB'000
Share premiums	894,257	—	—	894,257
Transfer from items under previous standards	270,127	—	—	270,127
Total	1,164,384	—	—	1,164,384

23 Surplus reserve

	Legal surplus reserve RMB'000
Opening balance	506,849
Profit appropriation	—
Closing balance	506,849

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Retained earnings

According to the prospectus, it was resolved at the Extraordinary General Meeting convened on 16 April 2003 that, the undistributed profits of the Company generated before the issuance of A Shares shall be shared on a pro rata basis among its existing and new shareholders after the completion of the issuance of A Shares. As at 30 June 2008, the undistributed profits of the Company amounted to RMB2,126,223,000, which shall be shared on a pro rata basis among its existing shareholders. H shares and A shares rank pari passu in all aspects with each other.

25 Appropriation of profits

Pursuant to the shareholders' approval at the Shareholders' Meeting on 18 June 2007, a cash dividend of RMB 0.1 per share totalling RMB 173,313,000 was declared and paid to the Company's ordinary shareholders on 12 July 2007. Distribution base was the 1,733,127,000 issued shares as at 28 February 2007.

Pursuant to the shareholders' approval at the Shareholders' Meeting on 23 June 2008, a cash dividend of RMB 0.1 per share totalling RMB 173,313,000 was declared and paid to the Company's ordinary shareholders on 16 July 2008. Distribution base was the 1,733,127,000 issued shares as at 31 December 2007.

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 Operating income

	Jan~Jun 2008 RMB'000	Jan~Jun 2007 RMB'000
Operating income from principal activities	8,827,022	5,723,399
Other operating income	19,585	18,453
	8,846,607	5,741,852

During the period of Jan to June in 2008, revenue from sales to top five customers of the Company totalled RMB 1,893,480,000, accounting for 21% (2007: 16%) of total sales revenue for the year.

27 Operating costs

	Jan~Jun 2008 RMB'000	Jan~Jun 2007 RMB'000
Operating cost from principal activities	7,684,241	4,894,097
Other operating costs	15,067	15,372
	7,699,308	4,909,469

28 Non-operating income

	Jan~Jun 2008 RMB'000	Jan~Jun 2007 RMB'000
Gains on disposal of fixed assets	826	1,484
Others	1,605	1,047
	2,431	2,531

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 Non-operating expenses

	Jan~Jun 2008 RMB'000	Jan~Jun 2007 RMB'000
Losses on disposal of fixed assets	2,114	6,842
Others	1,781	229
	3,895	7,071

30 Income tax

	Jan~Jun 2008 RMB'000	Jan~Jun 2007 RMB'000
Current tax expenses for the period	25,381	25,000
Deferred taxation	(14,237)	(2,423)
Total	11,144	22,577

The analysis of deferred tax expenses is set out bellows:

	Jan~Jun 2008 RMB'000	Jan~Jun 2007 RMB'000
Origination of temporary differences	14,237	2,423

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 Supplement to Cash Flow Statement

(1) Supplement to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

	Jan~Jun 2008 RMB'000	Jan~Jun 2007 RMB'000
Net profit	483,935	263,926
Add: Provisions for impairment	94,625	10,986
Depreciation of fixed assets	158,311	147,604
Amortisation of intangible assets	2,218	405
Losses on disposal of fixed assets, intangible assets and other long-term assets	1,288	4,801
Financial expense	112,451	103,908
Increase in deferred tax assets	(14,237)	—
Increase in inventories	(538,722)	70,203
Increase in operating receivables	(522,531)	(421,205)
Increase in operating payables	394,403	44,014
Net cash inflow from operating activities	171,741	224,642

(b) Change in cash and cash equivalents:

	Jan~Jun 2008 RMB'000	Jan~Jun 2007 RMB'000
Cash and cash equivalents at the end of the period	1,437,937	1,373,980
Less: Cash and cash equivalents at the beginning of the period	971,082	313,772
Net increase in cash and cash equivalents	466,855	1,060,208

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V. NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 Supplement to Cash Flow Statement

(2) Cash and cash equivalents held by the Company are as follows:

	Closing balance RMB'000	Opening balance RMB'000
Cash at bank and on hand		
— Cash on hand	677	456
— Bank deposits available on demand	1,406,572	1,342,030
— Other monetary fund available on demand	30,688	31,494
— Cash with restricted usage	91,743	35,406
Cash equivalents		
— Bonds investment with a maturity of 3 months or less	—	—
Closing balance of cash and cash equivalents	1,529,680	1,409,386
Less: cash with restricted usage	91,743	35,406
Closing balance of cash and cash equivalents available on demand	1,437,937	1,373,980

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VI. COMMITMENTS

1 Capital commitments

As at 30 June, the capital commitments of the Company are summarised as follows:

	Closing balance RMB'000	Opening balance RMB'000
Contracts entered into but not performed or performed partially	3,058,151	2,662,417
Authorized but not contracted	151	307,993
	3,058,302	2,970,410

2 Operating lease commitments

As at 30 June, the total future minimum lease payments under non-cancellable operating leases of land use right were payable as follows:

	Closing balance RMB'000	Opening balance RMB'000
Within 1 year (inclusive)	16,935	17,904
After 1 year but within 2 years (inclusive)	15,964	15,964
After 2 year but within 3 years (inclusive)	15,964	15,964
After 3 years	103,768	111,750
	152,631	161,582

VII. CONTINGENCIES

Save for the pending litigation and arbitration disclosed in Note V (5), as at 30 June 2008, the Company does not have other discloseable significant contingent events.

VIII. NON-ADJUSTING POST BALANCE SHEET EVENTS

As at 30 June 2008, the Company does not have any discloseable significant non-adjusting post balance sheet events.

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IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1 Related party in which the Company has control

(1) The company's shareholders which can exercise control over the Company

Name of the parent company	Organization code	Registered place	Business nature	Registered capital RMB'000	Shareholding percentage	Proportion of voting rights
Chongqing Iron & Steel Group Company Limited	202803370	No.1 Building No.1 Dayan Village III, Dadukou District, Chongqing, the PRC.	sintering, iron smelting, steel smelting, steel rolling and the by-products of iron and steel, mining, milling, machinery, electronic, transportation by automobile, construction, refractory materials	1,579,044	49%	49%

(2) Registered capital and changes for the company's shareholders which can exercise control over the Company

	Opening balance RMB'000	Increase in the period RMB'000	Decrease in the period RMB'000	Closing balance RMB'000
Parent Group	1,579,044	—	—	1,579,044

(3) Changes in shares held by the company's shareholders which can exercise control over the Company

	Closing balance		Opening balance	
	Amount RMB'000	Percentage	Amount RMB'000	Percentage
Parent Group	845,000	49%	845,000	49%

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IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

2 Related parties in which the Company has no control

Name of related party	Relationship with the Company
Chongqing Iron & Steel Group Export and Import Company Limited	Under the same parent company
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Under the same parent company
Chongqing Iron & Steel Group Machinery Manufacturing Company Limited	Under the same parent company
Chongqing Iron & Steel Group Logistics Services Company Limited	Under the same parent company
Chongqing Iron & Steel Group Transportation Company Limited	Under the same parent company
Chongqing Iron & Steel Group Electronic Company Limited	Under the same parent company
Chongqing Iron & Steel Group Thermal Ceramics Company Limited	Under the same parent company
Chongqing Iron & Steel Group Mining Company Limited	Under the same parent company
Chongqing Xinteng Metallurgical Burden Materials Company Limited	Under the same parent company
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Under the same parent company
Chongqing Iron & Steel Group Iron Company Limited	Under the same parent company
Chongqing Iron & Steel Group Steel Pipe Company Limited	Under the same parent company
Chongqing Iron & Steel Group Refractory Materials Company Limited	Under the same parent company
Chongqing Iron & Steel Group Doorlead Realty Co., Ltd.	Under the same parent company
Chongqing Iron & Steel Group Yingsite Mould Company Limited	Under the same parent company
Chongqing San Gang Steel Company Limited	Under the same parent company
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	Under the same parent company
Chongqing Si Gang Steel Company Limited	Under the same parent company
Chongqing San Feng Environment Industrial Company Limited	Under the same parent company
Chongqing Iron & Steel Group Design and Research Institute	Under the same parent company
Chongqing San Huan Construction Supervision Consultant Company Limited	Under the same parent company
Chongqing Iron & Steel Group San Feng Industrial Company	Under the same parent company
Chongqing Iron & Steel Group Xingang Loading and Transportation Company Limited	Under the same parent company

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IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

3 Related party transactions

- (a) Set out below are purchase of raw materials, spare parts, fixed assets and construction in progress by the Company from related parties:

	Purchase of products	Jan-Jun 2008		Jan-Jun 2007	
		Transaction amount RMB'000	Percentage in the total amount of similar transactions %	Transaction amount RMB'000	Percentage in the total amount of similar transactions %
Chongqing Iron & Steel Group Mining Company Limited	Ore and ancillary product	556,480	15.49	374,721	21.61
Chongqing Iron & Steel Group Iron Company Limited	Pig iron	396,877	53.59	259,857	62.95
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Fixed assets and construction in progress	4,665	1.33	15,940	2.58
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Gas for industrial use	120,980	92.33	120,660	85.65
Chongqing Iron & Steel Group Machinery Manufacturing Company Limited	Spare parts	23,112	14.24	37,399	15.59
Chongqing Iron & Steel Group Electronic Company Limited	Components of instruments	12,018	2.34	11,884	4.96
Chongqing Iron & Steel Group Refractory Materials Company Limited	Refractory materials	11,000	23.03	6,747	22.96
Chongqing Iron & Steel Group Thermal Ceramics Company Limited	Refractory materials	4,991	10.45	3,267	11.12
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	Scrap steel and spare parts	4,571	0.71	3,357	0.58
Chongqing Si Gang Steel Company Limited	Scrap steel	3,323	0.52	2,167	0.64
Chongqing Iron & Steel Group San Feng Industrial Company	Spare parts and gas for industrial gas	9,226	7.04	7,678	5.45
Others		6,587		4,898	
Total		1,153,830		848,575	

Save for the purchase aforesaid, the Company had no purchase from shareholders holding 5% or more of its shares with voting rights.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

3 Related party transactions (Continued)

- (a) Set out below are purchase of raw materials, spare parts, fixed assets and construction in progress by the Company from related parties: (Continued)

The price of raw materials and spare parts purchased from related parties were determined with reference to the price for similar transactions between such related parties and other third party, sum of cost and profit premium or bidding price of suppliers;

Prices for fixed assets purchased from related parties were determined with reference to the bidding price of suppliers.

- (b) Sale of products to related parties by the Company is summarised as follows:

		Jan-Jun 2008		Jan-Jun 2007	
		Transaction	Percentage in	Transaction	Percentage in
Sale of products		amount	the total amount	amount	the total amount
		RMB'000	of similar	RMB'000	of similar
			transactions		transactions
			%		%
Chongqing Si Gang Steel Company Limited	Steel products	275,463	3.22	169,014	3.11
Chongqing Iron & Steel Group Steel Pipe Company Limited	Steel products	129,083	1.51	90,847	1.67
Chongqing San Gang Steel Company Limited	Steel products	112,838	1.32	73,081	1.34
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	Utilities and ancillary materials	84,338	30.11	76,424	26.89
Chongqing Iron & Steel Group Machinery Manufacturing Company Limited	Utilities and ancillary materials	14,442	5.16	15,493	5.45
Chongqing Iron & Steel Group Mining Company Limited	Utilities and ancillary materials	2,891	1.03	7,519	2.65
Chongqing Iron & Steel Group Construction and Engineering Company Limited	Utilities and ancillary materials	7,065	2.52	2,781	0.98
Chongqing Iron & Steel Group Transportation Company Limited	Utilities and ancillary materials	2,040	0.73	2,402	0.85
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	Steel Products	6,901	0.08	28,831	0.53
Chongqing Iron & Steel Group Doorlead Realty Co., Ltd.	Steel products	4,460	0.05	1,194	0.02
Others		1,904		2,522	
Total		641,425		470,108	

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

3 Related party transactions (Continued)

- (b) Sale of products to related parties by the Company is summarised as follows: (Continued)

Save for the sales above-mentioned, the Company had no sales to shareholders holding 5% or more of its shares with voting rights.

The price of products sold to related parties was determined with reference to price the Company offered to other third party customers or price provided by relevant authorities of Chongqing government.

- (c) Guarantee for the Company's loans provided by the Holding Company and other related parties:

As at 30 June 2008, the short-term and long-term (including long-term loans due within one year) bank borrowings of the Company amounting to RMB1,308,000,000 (2007: RMB1,242,000,000) (Note V(14)) and RMB1,726,546,000(2007: RMB899,747,000) (Note V(19) and (20)) respectively were guaranteed by the Parent Group.

The Parent Group and other related parties did not charge to the Company in respect of the above pledges and guarantees.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

3 Related party transactions (Continued)

(d) Transactions between the Company and the Holding Company and its subsidiaries:

	Jan-Jun 2008		Jan-Jun 2007	
	Transaction amount RMB'000	Percentage in the total amount of similar transactions %	Transaction amount RMB'000	Percentage of similar transactions %
Prepayments paid by the Parent Group (i)	54,398	54	45,608	49
Fees paid for supporting service (ii)	237,307	29	114,993	15
Rental expenses for land use right (iii)	9,000	100	9,000	100
Fees received for supporting services (iv)	1,285	59	1,325	69

Save for the transactions aforesaid, the Company had no other transactions with shareholders holding 5% or more of its shares with voting rights.

- (i) Prepayments paid by the Parent Group mainly represent pensions and social welfare expenses which were independent from the overall society security contributions and were paid through the Parent Group. No handling fee was charged by the Parent Group.
- (ii) Fees paid for supporting services mainly represent fees charged for environmental, maintenance, technical, installation, transportation and import and export agencies services provided by the Parent Group and its subsidiaries. The services were charged at prices determined by reference to market price of such services or a profit mark-up above the cost of providing such services as agreed, or prices prescribed by the relevant Chongqing government departments.
- (iii) Rental expenses payable to the Parent Group are in accordance with the lease agreements entered into between the Company and the Holding Company.
- (iv) Fees received for supporting services mainly represent fees charged to the Parent Group and its subsidiaries for internal railway transportation services at prices determined by reference to a profit mark-up above the cost of providing such services as agreed between the Company and the Parent Group.

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

4 Balance of accounts due from and due to related parties:

(a) Accounts receivable

	Closing balance RMB'000	Opening balance RMB'000
Chongqing Si Gang Steel Company Limited	33,833	31,515
Chongqing San Gang Steel Company Limited	33,445	30,250
Chongqing Iron & Steel Group Steel Pipe Company Limited	24,781	15,150
Chongqing Iron & Steel Group Thermal Ceramics Company Limited	6,651	7,385
Chongqing Iron & Steel Group San Feng Industrial Company	4,720	5,205
Chongqing Iron & Steel Group Machinery Manufacturing Company Limited	4,254	2,984
Chongqing Iron & Steel Group Yingsite Mould Company Limited	3,054	2,757
Chongqing Iron & Steel Group Refractory Materials Company Limited	1,150	2,556
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	—	2,421
Chongqing Xinteng Metallurgical Burden Materials Company Limited	2,281	1,705
Others	1,600	1,110
	115,769	103,038

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

IX. RELATED PARTY RELATIONSHIP AND TRANSACTIONS (CONTINUED)

4 Balance of accounts due from and due to related parties: (Continued)

(b) Bills receivable

	Closing balance RMB'000	Opening balance RMB'000
Chongqing San Gang Steel Company Limited	54,629	37,564
Chongqing Si Gang Steel Company Limited	78,699	62,752
Chongqing Iron & Steel Group Steel Pipe Company Limited	68,598	43,793
Chongqing Iron & Steel Group Construction and Engineering Company Limited	—	50
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	2,481	7,615
	204,407	151,774

(c) Other payables

	Closing balance RMB'000	Opening balance RMB'000
Parent group	44,565	3,059
Chongqing Iron & Steel Group Construction and Engineering Company Limited	28,002	19,716
Chongqing San Feng Environment Industrial Company Limited	604	550
Chongqing Iron & Steel Group Electronic Company Limited	1,644	—
Chongqing San Huan Construction Supervision Consultant Company Limited	170	265
Chongqing Iron & Steel Group Design and Research Institute	1,965	6,320
Others	1,315	681
	78,265	30,591

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

X. EXTRAORDINARY GAIN AND LOSS

In accordance with Q&A on the Preparation of Information Disclosure of Companies Issuing Public Shares No. 1 — Extraordinary gain and Loss (2007 revised), the non- Extraordinary gain and loss of the Company is listed as follows:

	Jan~Jun 2008 RMB'000	Jan~Jun 2007 RMB'000
Disposal of fixed assets and construction in progress	1,288	5,358
Others	176	42
	1,464	5,400
Less: Effect on taxation	141	860
Total	1,323	4,540

XI. EARNINGS PER SHARE AND RETURN ON NET ASSETS

(1) Earnings per share

	Jan~Jun 2008 Basic/Diluted	Jan~Jun 2007 Basic/Diluted
(a) Earnings per share inclusive of extraordinary gain and loss (RMB)	0.28	0.16
— Profit attributable to the Company's ordinary equity shareholders (RMB'000)	483,935	263,926
— Weighted average number of the Company's ordinary shares ('000)	1,733,127	1,616,461
(b) Earnings per share net of extraordinary gain and loss (RMB)	0.28	0.17
— Profit deducted extraordinary gains and loss attributable to the Company's ordinary equity shareholders (RMB'000)	485,258	268,466
— Weighted average number of the Company's ordinary shares ('000)	1,733,127	1,616,461

FINANCIAL REPORT

The 2008 financial statements (unaudited) of the Company in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China

XI. EARNINGS PER SHARE AND RETURN ON NET ASSETS (CONTINUED)

(1) Earnings per share (Continued)

Weighted average number of the Company's ordinary shares ('000):

	Jan~Jun 2008	Jan~Jun 2007
Issued ordinary shares at 1 January	1,733,127	1,383,127
Issued A share in 2007	—	233,334
Weighted average number of ordinary shares at 30 June	1,733,127	1,616,461

As at 30 June 2008 there was no issuance of dilutive potential ordinary shares (30 June 2007: nil), the weighted average (diluted) ordinary shares equal to weighted average ordinary shares.

(2) Return on net assets

In accordance with "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9-Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2007 revised) issued by the CSRC, the Company's return on net assets are calculated as follows:

(Unit: RMB'000)	Jan~Jun 2008		Jan~Jun 2007	
	Fully diluted	Weighted average	Fully diluted	Weighted averaged
(a) Return on net assets inclusive of extraordinary gain and loss	8.75%	8.86%	5.24%	5.55%
— Net profit attributable to the Company's ordinary equity shareholders	483,935	483,935	263,926	263,926
— Period-end equity attributable to the Company's ordinary equity shareholders	5,530,583	N/A	5,034,644	N/A
— Weighted average of equity attributable to the Company's ordinary equity shareholders	N/A	5,461,929	N/A	4,753,310
(b) Return on net assets net of extraordinary gain and loss	8.77%	8.88%	5.33%	5.65%
— Net profit deducted extraordinary gain and loss attributable to the Company's ordinary equity shareholders	485,258	485,258	268,466	268,466
— Period-end equity attributable to the Company's ordinary equity shareholders	5,530,583	N/A	5,034,644	N/A
— Weighted average of equity attributable to the Company's ordinary equity shareholders	N/A	5,461,929	N/A	4,753,310

FINANCIAL REPORT

2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

The Board of Directors of the Company hereby announces the unaudited interim financial statements of the Company for the six months ended 30 June 2008 together with the comparative figures for the corresponding period in 2007. The interim financial statements have not been audited by the auditor of the Company, but have been reviewed by the Audit Committee of the Company.

BALANCE SHEET

At 30 June 2008

	<i>Note</i>	30 June 2008 RMB'000	31 December 2007 RMB'000
Non-current assets			
Property, plant and equipment	8	6,259,942	5,397,278
Land use right		253,654	25,820
Available-for-sale financial asset		5,000	5,000
Deferred income tax assets		21,566	7,329
Trade and other receivables	9	48,800	53,600
Total non-current assets		6,588,962	5,489,027
Current assets			
Inventories	10	3,173,081	2,660,245
Trade and other receivables	9	1,572,701	1,715,449
Restricted cash		91,743	122,797
Cash and cash equivalents		1,437,937	971,082
Total current assets		6,275,462	5,469,573
Total assets		12,864,424	10,958,600

The notes on pages 107 to 127 form an integral part of this condensed interim financial statements.

FINANCIAL REPORT

2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

BALANCE SHEET (CONTINUED)

At 30 June 2008

	Note	30 June 2008 RMB'000	31 December 2007 RMB'000
Current liabilities			
Borrowings	11	1,653,000	2,006,600
Trade and other payables	12	3,044,730	2,427,498
Income tax payable		25,941	3,510
Total current liabilities		4,723,671	4,437,608
Net current assets		1,551,791	1,031,965
Total assets less current liabilities		8,140,753	6,520,992
Non-current liabilities			
Borrowings	11	2,560,546	1,188,747
Trade and other payables	12	32,647	95,361
Deferred income		34,930	35,145
Total non-current liabilities		2,628,123	1,319,253
Total liabilities		7,351,794	5,756,861
Capital and reserves attributable to the Company's shareholders			
Share capital	13	1,733,127	1,733,127
Other reserves	14	1,617,179	1,617,179
Retained earnings			
— Proposed interim/final dividend		—	173,313
— Others		2,162,324	1,678,120
Total equity		5,512,630	5,201,739
Total equity and liabilities		12,864,424	10,958,600

Approved and authorised for issue by the board of directors 26 August 2008.

Luo Fu Qin
ChairmanChen Shan
Director

The notes on pages 107 to 127 form an integral part of the condensed interim financial statements.

FINANCIAL REPORT

2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

INCOME STATEMENT

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 RMB'000	2007 RMB'000
Sales	15	8,827,022	5,723,399
Cost of goods sold		(7,684,404)	(4,909,146)
Gross profit		1,142,618	814,253
Other gains/(losses) — net		13,154	(6,740)
Selling and marketing costs		(128,949)	(110,932)
Administrative expenses		(402,859)	(303,463)
Operating profit		623,964	393,118
Finance costs		(128,616)	(107,797)
Profit before income tax		495,348	285,321
Income tax expense	17	(11,144)	(22,577)
Profit for the period		484,204	262,744
Attributable to:			
Equity holders of the Company		484,204	262,744
Earnings per share for profit attributable to the Company's shareholders during the period			
— basic and diluted	18	RMB0.279	RMB0.163
Dividends	19	—	—

Approved and authorised for issue by the board of directors 26 August 2008.

Luo Fu Qin
Chairman

Chen Shan
Director

The notes on pages 107 to 127 form an integral part of the condensed interim financial statements.

FINANCIAL REPORT

2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Note	Attributable to equity holders of the Company			Total equity RMB'000
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
Balance at 31 December 2006		1,383,127	954,204	1,562,446	3,899,777
Change in accounting policy	6	—	—	58,544	58,544
Balance at 1 January 2007		1,383,127	954,204	1,620,990	3,958,321
— Profit for the period		—	—	262,744	262,744
— Dividend relating to 2006		—	—	(173,313)	(173,313)
— Issuance of A shares	13	350,000	—	—	350,000
— Share capital premium	14	—	618,051	—	618,051
Balance at 30 June 2007		1,733,127	1,572,255	1,710,421	5,015,803
Balance at 1 January 2008		1,733,127	1,617,179	1,851,433	5,201,739
— Profit for the period		—	—	484,204	484,204
— Dividend relating to 2007	19(a)	—	—	(173,313)	(173,313)
Balance at 30 June 2008		1,733,127	1,617,179	2,162,324	5,512,630

Approved and authorised for issue by the board of directors 26 August 2008.

Luo Fu Qin
Chairman

Chen Shan
Director

The notes on pages 107 to 127 form an integral part of the condensed interim financial statements.

FINANCIAL REPORT

2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Net cash generated from operating activities	171,741	224,642
Net cash flows used in investing activities	(597,223)	(541,355)
Net cash flows generated from financing activities	892,337	1,376,921
Net increase in cash and cash equivalents	466,855	1,060,208
Cash and cash equivalents at beginning of period	971,082	313,772
Cash and cash equivalents at end of period	1,437,937	1,373,980

Approved and authorised for issue by the board of directors 26 August 2008.

Luo Fu Qin
Chairman

Chen Shan
Director

The notes on pages 107 to 127 form an integral part of the condensed interim financial statements.

FINANCIAL REPORT

2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1 ORGANISATION AND PRINCIPAL ACTIVITIES

Chongqing Iron and Steel Company Limited (the “Company”) is a joint stock limited liability company established in the People’s Republic of China (the “PRC”) in August 1997 as part of the restructuring (the “Restructuring”) of a state-owned enterprise known as Chongqing Iron and Steel Company (Group) Limited (the “Holding Company”). Pursuant to the Restructuring, the principal iron and steel business undertakings and one of the subsidiaries of the Holding Company, Chongqing Hengda Steel Industrial Co., Ltd. (“Hengda”), were taken over by the Company, where upon the Company issued 650,000,000 state-owned shares of RMB1 each to the Holding Company. The 413,944,000 H shares of the company have been listed on The Stock Exchange of Hong Kong Limited since 17th October 1997.

In December 2002, the Company acquired all assets and liabilities of Hengda, the former subsidiary of the Company. At the same time, the Company disposed of its entire interest in Hengda to its Holding Company. Following the disposal of Hengda, the Company does not have any subsidiary.

In June 2006, the Company has declared dividends of bonus shares of 319,183,000 shares. In February 2007, the Company has issued 350,000,000 ordinary A shares. The A shares of the Company have been listed on the Stock Exchange of Shanghai on 28 February 2007. As at 31 December 2007, the total number of shares of the Company has increased to 1,733,127,200.

The Company is principally engaged in the manufacture and sale of steel products.

The address of the Company’s registered office is No. 30, Gangtie Road, Dadukou District, Chongqing, the PRC.

FINANCIAL REPORT

2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong limited, including compliance with Hong Kong Accounting Standard (“HKIAS”) 34, Interim financial reporting issued by the Hong Kong Institute of Certificated Public Accountants (“HKCPA”).

The interim financial report contains condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the 2007 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company’s annual financial statements prepared under HKFRSs for that financial year but is derived from those financial statements. Annual financial statements for the year ended 31 December 2007 are available from the Company’s registered office. The Company’s auditor has expressed an unqualified opinion on the forgoing annual financial statements for the year ended 31 December 2007 in their reports dated 23 April 2008.

3 ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed interim financial statements are the same with those applied by the Company in its financial statements as at and for the year ended 31 December 2007, as disclosed in the annual financial statements for the year ended 31 December 2007.

4 FINANCIAL RISK

The Company’s financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 31 December 2007.

FINANCIAL REPORT

2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5 CRITICAL ACCOUNTING ESTIMATES

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2007.

6 CHANGES IN ACCOUNTING POLICIES

Regarding the issuance of Joint Declaration of the China Accounting Standards Committee and the HKICPA on the converged China Accounting Standards for Business Enterprises ("CAS (2006)") and HKFRSs on 6 December 2007, the Company has changed the accounting policy on Foreign Enterprise Income Tax ("FEIT") reduction in relation to the purchase of domestically produced equipment in order to consistent with the accounting policy on income tax in preparing the financial statements under the CAS (2006) issued by the Ministry of Finance and HKFRSs.

Prior to 2007, the FEIT reduction in relation to the purchase of domestically produced equipment was recorded as deferred income and recognised as income on straight-line basis over the expected lives of the related assets. Starting from 2007, the Company has changed the related accounting policy to net off the FEIT reduction in relation to the purchase of domestically produced equipment with the income tax liabilities upon the receipt of the notices from tax bureau for approval of income tax reduction.

FINANCIAL REPORT

2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

7 SEGMENT INFORMATION

The Company mainly conducts its business within one business segment — the business of manufacture and sale of steel products in the PRC. Therefore no business segment information has been prepared by the company for the six months ended 30 June 2008. The Company also operates within one geographical segment because its revenue is entirely generated in the PRC and its assets and liabilities are located in the PRC. Accordingly, no geographical segment information is presented.

8 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment
	<i>RMB'000</i>
Net book amount at 1 January 2007	5,532,413
Additions	221,440
Disposals	(24,262)
Depreciation, amortisation and impairment	(332,313)
Net book amount at 31 December 2007	5,397,278
Net book amount at 1 January 2008	5,397,278
Additions	1,096,979
Disposals	(7,521)
Depreciation, amortisation and impairment	(226,794)
Net book amount at 30 June 2008	6,259,942

FINANCIAL REPORT

2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9 TRADE AND OTHER RECEIVABLES

		30 June 2008	31 December 2007
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Notes receivables		661,985	341,177
Accounts receivable	(a)	271,954	198,807
Trade receivables		933,939	539,984
Less: provision for impairment		(144,975)	(144,880)
Trade receivables — net		788,964	395,104
Receivables from fellow subsidiaries of the Holding Company	(b)	320,176	258,630
Less: provision for impairment		(10,079)	(10,079)
Receivables from fellow subsidiaries of the Holding Company — net		310,097	248,551
Prepayments		494,608	1,106,767
Other receivables		39,550	30,345
Less: provision for impairment		(11,718)	(11,718)
Other receivables — net		27,832	18,627
		1,621,501	1,769,049
Less non-current portion: supplier prepayment		(48,800)	(53,600)
Current portion		1,572,701	1,715,449

FINANCIAL REPORT

2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

The fair values of trade and other receivables are as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Trade receivables	788,964	395,104
Receivables from fellow subsidiaries of the Holding Company	310,097	248,551
Prepayments	494,608	1,106,767
Other receivables	27,832	18,627
	1,621,501	1,769,049

The maturity of non-current prepayment to a supplier is as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Between 1 and 2 years	10,800	10,800
Between 2 and 5 years	38,000	42,800
	48,800	53,600

FINANCIAL REPORT

2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

- (a) The Company normally requires advanced payments from new customers before delivery. For existing customers, the Company normally offers a 1-month credit period. The ageing analysis of accounts receivables as at 30 June 2008 is as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 3 months	124,813	48,068
Between 3 months and 1 year	808	4,679
Between 1 and 2 years	1,476	1,557
Between 2 and 3 years	582	491
Over 3 years	144,275	144,012
	271,954	198,807

There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers, domestically dispersed.

Movements on the provision for impairment of trade receivables are as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
At the beginning of the period/year	144,880	150,948
Provision/(reversal) of impairment of trade receivables	256	(4,641)
Receivables written off during the year as uncollectible	(161)	(1,427)
At the end of the period/year	144,975	144,880

The amount reversed has been included in administrative expenses in the income statement.

FINANCIAL REPORT

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

- (b) The ageing analysis of receivables from fellow subsidiaries of the Holding Company as at 30 June 2008 is as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 3 months	147,076	182,272
Between 3 months and 1 year	153,746	54,889
Between 1 and 2 years	1,639	3,819
Between 2 and 3 years	1,255	5,028
Over 3 years	16,460	12,622
	320,176	258,630

- (c) During the year ended 31 December 2005, the Company received verdicts and enforcement orders from certain courts ("the Courts"), including the People's Courts of Neijiang, Sichuan Province of the PRC, in relation to certain debts owed by the Holding Company and Chongqing Special Steel (Group) Limited Company ("CSSG"; former subsidiary of the Holding Company who ceased to have shareholding relationship with the Holding Company since June 2003) to their creditors amounting to RMB18,200,000 and RMB18,340,000, respectively. According to these verdicts and enforcement orders, the Company was requested to withhold in aggregate RMB36,540,000 dividend attributable to the Holding Company ("the Dividend"). The Company did not withhold the Dividend and without notifying the Company, two of the Courts seized RMB4,528,000 and RMB1,059,000 from the Company's bank accounts in 2005 and 2006 respectively.

In November 2006, as the Holding Company settled its debts amounting to RMB18,200,000, the Courts repealed those verdicts and enforcement orders against the Holding Company, and accordingly the Company was not required to assist the execution of the verdicts.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) (Continued)

As at the date of these financial statements are approved for issue, the case relating to the debts of RMB18,340,000 owed by CSSG has not been finalised. Based on the advice from the Company's legal counsellor, management of the Company is of the view that the verdicts and the enforcement orders made by the Courts are without merit as CSSG is no longer associated with the Holding Company or the Company, and accordingly the Company has no obligation to assist the execution of the order against CSSG. The Company has appealed to the Courts and seek assistance and resolution from relevant higher courts, Municipal Governments and Standing Committee of the People's Congress. The State Supreme Court of The People's Republic of China issued The Notice Of Exemption for Obligation of Chongqing Iron and Steel Company (Group) Limited Related To The Cases Of CSSG's Residual Debts (Fa (Zhi) Ming Chuan(2007))("the notice") to The Supreme Court of Sichuan Province at 2007 May 25. According to the notice, since the cases of CSSG's residual debts were still in the process of coordinating, The Supreme Court of Sichuan Province should suspend the execution of these cases until receive final comments from The State Supreme Court of The People's Republic.

As the recoverability of the bank deposits under seizure (recorded as other receivable) is uncertain, management of the Company made a full provision of RMB5,587,000 in prior years.

10 INVENTORIES

	30 June 2008 RMB'000	31 December 2007 RMB'000
Raw materials	2,265,519	1,590,298
Work in process	468,960	648,535
Finished goods	166,807	150,367
Spare parts and consumables	271,795	271,045
	3,173,081	2,660,245

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

11 BORROWINGS

	30 June 2008 RMB'000	31 December 2007 RMB'000
Non-current		
Secured borrowings	—	230,000
Unsecured borrowings	2,560,546	958,747
	2,560,546	1,188,747
Current		
Secured borrowings	—	356,600
Unsecured borrowings	1,653,000	1,650,000
	1,653,000	2,006,600
Total	4,213,546	3,195,347

Unsecured bank borrowings of RMB3,034,546,000 (2007: 2,141,747,000) are guaranteed by the Holding Company (Note 20(a)).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 TRADE AND OTHER PAYABLES

		30 June 2008	31 December 2007
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	(a)	1,530,285	1,411,962
Advances from customers		1,033,494	956,108
Amounts due to the Holding Company and its subsidiaries		78,265	30,592
Value added tax and other tax payables		92,134	59,441
Salaries and welfare payable		26,561	21,747
Deposits from customers		5,094	5,540
Dividend payable		173,313	—
Other payables		138,231	37,469
		3,077,377	2,522,859
Less non-current portion:			
— Advances from a customer	(b)	(32,647)	(95,361)
		3,044,730	2,427,498

(a) The ageing analysis of trade payables as at 30 June 2008 is as follows:

	30 June 2008	31 December 2007
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	1,415,242	1,256,784
Between 6 months and 1 year	35,311	92,328
Between 1 and 2 years	46,339	32,112
Between 2 and 3 years	6,012	11,908
Over 3 years	27,381	18,830
	1,530,285	1,411,962

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 TRADE AND OTHER PAYABLES (CONTINUED)

(b) The maturity of non-current advances from a customer is as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Between 1 and 2 years	32,647	95,361

The original effective interest rate on non-current advance from a customer received for the six months ended 30 June 2008 is 7.19% (2007: 5.48% to 7.19%).

13 SHARE CAPITAL

	Number of shares (‘000)	Registered, issued and fully paid:			Total RMB'000
		State-owned A shares of RMB1 each RMB'000	A shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	
At 1 January 2007	1,383,127	845,000	—	538,127	1,383,127
Issuance of A shares	350,000	—	350,000	—	350,000
At 30 June 2007	1,733,127	845,000	350,000	538,127	1,733,127
At 1 January 2008/ 30 June 2008	1,733,127	845,000	350,000	538,127	1,733,127

As approved by China Securities Regulatory Commission on 29 January 2007, the Company issued 350,000,000 ordinary A shares denominated in renminbi on 6 February 2007 and which was traded on 28 February 2007 at Stock Exchange of Shanghai, with a face value of RMB1.00 each.

The 845,000,000 state-owned shares held by the Holding Company has been automatically converted into 845,000,000 A shares after the issuance of the A shares. The Holding Company has undertaken that, within a period of 36 months from the date of the listing of the A shares, it will not transfer or nominate any other persons to manage its A shares and will not proceed with any re-purchase of such A shares by the Company.

The state-owned shares, H shares and A shares rank pari passu in all respects.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

14 OTHER RESERVES

The increase in share premium in 2007 represents the difference between the total amount of the par value of A shares issued and the amount of the net proceeds received from the issuance of A shares.

15 SALES

Sales represent the revenues derived from sales of steel products, net of value added tax and after allowance for trade discounts.

16 EXPENSES BY NATURE

The following items have been credited/charged to the operating profit during the interim period:

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	158,311	147,684
Amortisation	2,218	405
Provision/(Reversal of provision) for impairment of receivables	256	(1,384)
Provision for impairment of inventories	25,886	13,566
Provision for impairment of property, plant and equipment	68,483	8,510
Staff costs	405,784	361,144
Raw materials and consumables used	6,915,817	4,257,864
Maintenance expenses	161,587	171,318
Rental for land use rights	9,000	9,000
Transportation expenses	137,927	127,805
Other expenses	330,943	227,629
	8,216,212	5,323,541

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

17 INCOME TAXES

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Current PRC income tax	25,381	25,000
Deferred income tax	(14,237)	(2,423)
	11,144	22,577

In April 2003, the Company obtained approvals (Yu Guo Shui Han [2003] No. 57 and Da Dukou Guo Shui Han [2003] No. 8) issued by the relevant tax authorities under which the preferential enterprise income tax treatment for enterprises in the western development region is granted to the Company. In accordance with these approvals, the Company is entitled to the preferential income tax policy applicable to enterprises in the western development region and the enterprise income tax rate is reduced to 15% for the period from 2001 to 2010.

No Hong Kong profits tax has been provided as the Company had no taxable profits in Hong Kong for the periods presented.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

18 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company of RMB484,204,000 (six months ended 30 June 2007: RMB262,744,000) by the weighted average number of ordinary shares in issue during the six months ended 30 June 2008 of 1,733,127,200 shares (six months ended 30 June 2007: 1,616,460,533 shares).

Diluted earnings per share equals to basic earnings per share as there are no potential dilutive shares outstanding for the periods presented.

19 DIVIDENDS

(a) 2007 dividend

During the Annual General Meeting of shareholders on 23 June 2008, it was resolved to declare dividend in respect of 2007 of RMB0.10 per share (2006: RMB0.10 per share), totalling RMB173,313,000 (2006: RMB173,313,000). The allocation basis of the dividend being distributed to the shareholders is based on the number of shares in issue of 1,733,127,000 as at 31 December 2007.

(b) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

20 RELATED-PARTY TRANSACTIONS

The following transactions were carried out with related parties:

- (a) The Company's bank borrowings of RMB3,034,546,000 (31 December 2007: RMB2,141,747,000) as at 30 June 2008 are guaranteed by the Holding Company (*Note 11*).
- (b) Other than the transactions described above, the following is a summary of the significant transactions entered into by the Company on normal commercial terms with the Holding Company and its fellow subsidiaries:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Income:		
Sales to fellow subsidiaries of the Holding Company (<i>Note (i)</i>)	641,425	511,269
Fees received for supporting services (<i>Note (ii)</i>)	967	840
Fees received for lease rental (<i>Note (iii)</i>)	318	484
Expenditure:		
Fees paid for supporting services (<i>Note (iv)</i>)	236,728	114,659
Fees paid for lease rental (<i>Note (v)</i>)	579	334
Purchase of raw materials and spare parts (<i>Note (vi)</i>)	1,147,607	834,407
Purchase of property, plant and equipment (<i>Note (vii)</i>)	6,222	14,171
Rental for land use rights (<i>Note (viii)</i>)	9,000	9,000
Social welfare expenses paid through the Holding Company to schemes administered by the PRC government (<i>Note (ix)</i>)	41,439	27,434
Staff welfare expenses and supplementary retirement benefit contribution paid to defined contribution retirement schemes administered by the Holding Company	12,959	18,174

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2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

20 RELATED-PARTY TRANSACTIONS (CONTINUED)

- (i) Sales to the fellow subsidiaries were made at prices determined by reference to market price or the prices as prescribed by the relevant Chongqing government departments.
- (ii) Fees received for supporting services mainly represent fees charged to the fellow subsidiaries for internal railway transportation services at prices determined by reference to a profit mark-up above the cost of providing such services as agreed between the Company and the fellow subsidiaries.
- (iii) Fees received for lease rental mainly represents fee charged to the fellow subsidiaries for the lease of the Company's factory premises at price determined by reference to a mark-up for maintenance over and above the cost of depreciation of the factory premises.
- (iv) Fees paid for supporting services mainly represent fees charged for environmental, maintenance, technical, installation and transportation services provided by the fellow subsidiaries. These services were charged at prices determined by reference to market price or a profit mark-up above the cost of providing such services as agreed between the Company and the fellow subsidiaries, or prices prescribed by the relevant Chongqing government departments.
- (v) Fees paid for lease rental mainly represents fee paid to the fellow subsidiaries for the lease of the subsidiaries' factory premises at price determined by reference to a mark-up for maintenance over and above the cost of depreciation of the factory premises.
- (vi) Purchase of raw materials and spare parts was made at prices determined by reference to market price or a profit mark-up above the cost of providing such products as agreed between the Company and the fellow subsidiaries, or the prices offered by suppliers of such spare parts.
- (vii) Purchase of property, plant and equipment was made at prices determined by reference to the prices offered by suppliers of such equipments.
- (viii) Rental expenses payable to the Holding Company are in accordance with the lease agreements entered into between the Company and the Holding Company.
- (ix) For social welfare expenses which were paid through the Holding Company, no handling fee was charged by the Holding Company.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

20 RELATED-PARTY TRANSACTIONS (CONTINUED)

- (c) Transactions with state-owned banks in the PRC:

Cash and cash equivalents deposited with and borrowings from state-owned banks in the PRC, including the related interest income and expense are as follow:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Cash and cash equivalents	612,986	413,966
Borrowings	1,644,000	1,463,600
	Six months ended 30 June 2008 RMB'000	2007 RMB'000
Interest income (Note(i))	4,706	2,593
Interest expense (Note(i))	60,904	48,574

- (i) Related party transactions with other state-owned banks were conducted in the normal course of business at normal commercial terms.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

20 RELATED-PARTY TRANSACTIONS (CONTINUED)

- (d) Transactions with other state-owned entities in the PRC:

The Company operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (“state-owned entities”). Apart from transactions mentioned above, transactions with other state-owned entities include but are not limited to the following:

- sales and purchases of goods and other assets
- use of public utilities

These transactions are conducted in the ordinary course of the Company’s business on terms similar to those that would have been entered into with non-state-owned entities. The Company has also established its pricing strategy and approval processes for material transactions. Such pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Company is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

- (e) Key management compensation

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Salaries and other short-term employee benefits	1,997	1,677

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2008 Condensed Interim Financial Statements of the Company prepared under Hong Kong Financial Reporting Standards (unaudited)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

21 COMMITMENTS

- (a) Capital commitment for property, plant and equipment

	30 June 2008 RMB'000	31 December 2007 RMB'000
Contracted but not provided for	3,058,151	2,662,417
Authorised but not contracted for	151	307,993
	3,058,302	2,970,410

- (b) Operating lease commitments

As at 30 June 2008, the Company's future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 1 year	16,934	17,904
Between 1 and 5 years	63,858	63,857
Over 5 years	71,839	79,821
	152,631	161,582

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

22 CONTINGENT LIABILITIES

As at 30 June 2008, other than the pending litigation as disclosed in Note 9(c), the Company had no material contingent liabilities.

23 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As at 30 June 2008, the Company had no material events after the balance sheet date.

24 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in disclosures in the current period.

DOCUMENTS AVAILABLE FOR INSPECTION

1. The copy of interim report signed by the Chairman of the Company;
2. The copy of financial report signed and sealed by the person in charge of the Company, the Chief Financial Officer and the manager of financial department.
3. The copy of all the documents which have been disclosed in the magazines designated by the CSRC.
4. The copy of summery of interim report published in China Securities Journal, Shanghai Securities News, Securities Times and preliminary results announcement published in Hong Kong Wen Wei Po and China Daily.

Chongqing Iron & Steel Company Limited

Chairman:

Luo Fu Qin

26th August 2008