

OTHER EVENTS

GENERAL MEETING

As at 30th June 2006, the Company convened the following general meetings:

(i) *Extraordinary General Meeting held on 24th April 2006*

The resolutions approving the resignation of Mr. Tang Min Wei as a director of the Company and the election of Mr. Luo Fu Qin as an executive director of the Company were duly passed as ordinary resolutions at the Extraordinary General Meeting held on 24th April 2006.

(ii) *2005 Annual General Meeting*

On 9th June 2006, the Company convened 2005 Annual General Meeting. At the meeting, resolutions relating to the report of the Board of Directors of 2005, report of supervisory committee, the audited financial account of 2005, auditor's report, reappointment of PricewaterhouseCoopers and Pricewaterhouse Zhong Tian Certified Public Accountant Co. Ltd. as the international and domestic auditor respectively, election of the fourth Board of Directors and the fourth of supervisory committee and their remuneration were considered and approved.



OTHER EVENTS (CONTINUED)

GENERAL MEETING (CONTINUED)

(ii) 2005 Annual General Meeting (CONTINUED)

The following special resolutions were passed at 2005 Annual General Meeting:

1. To consider and approve the proposed profit distribution plan, i.e. the final dividend distribution plan and the issue of bonus shares of the Company through the capitalisation of the capital reserve of the Company on the basis of three bonus shares for every ten existing shares for the year ended 31st December 2005, and to authorise the Board to distribute such final dividend and bonus shares to the shareholders of the Company and to authorize the Board to make consequential amendments to the Articles of the Company arising from such bonus issue of shares.
2. To consider and approve the new articles of association of the Company, and to adopt in replacement and to the exclusion of the Company's existing articles of association.
3. To approve the extension of the validity period of the resolution in relation to, inter alia, the A shares issue passed at the class meeting for holders of Domestic Shares, the class meeting for holders of H Shares and the extraordinary general meeting of the Company held on 18th May 2005 until such time as the next annual general meeting of the Company is held.



OTHER EVENTS (CONTINUED)

GENERAL MEETING (CONTINUED)

(iii) *General meetings for holders of Domestic shares and H shares on 9th June 2006*

On 9th June 2006, the Company convened general meetings for holders of domestic shares and H shares. At the two meetings, the following special resolutions were considered and approved:

1. To approve the extension of the validity period of the resolution in relation to, inter alia, the A shares issue passed at the class meeting for holders of Domestic Shares, the class meeting for holders of H Shares and the extraordinary general meeting of the Company held on 18th May 2005 until such time as the next annual general meeting of the Company is held.
2. To consider and approve the proposed profit distribution plan, i.e. the final dividend distribution plan and the issue of bonus shares of the Company through the capitalisation of the capital reserve of the Company on the basis of three bonus shares for every ten existing shares for the year ended 31st December 2005, and to authorise the Board to distribute such final dividend and bonus shares to the shareholders of the Company and to authorize the Board to make consequential amendments to the Articles of the Company arising from such bonus issue of shares.



BOARD MEETING

As at the date of this report, the Company convened three Board meetings in total, details of which are as follows:

1. On 30th March 2006, the eleventh meeting of the third Board of the Company was held, at which the Director's Report, Report of the Board, corporate governance report of the Company, the audited financial accounts for 2005 and auditor's report of 2005, the results announcement, connected transactions, reappointment of auditors, the final profit distribution proposal for the year 2005, the amendment of the Articles of Association of the Company, the proposed candidates for the fourth Board and extension of the validity period of the resolution in relation to A shares issue of the Company were considered and approved.
2. On 26th April 2006, the twelfth meeting of the third Board of the Company was held, at which the election of Mr. Luo Fu Qin as the Chairman of the Company and the appointment of Mr. Luo Fu Qin as the authorized representative of the Company was considered and approved.



BOARD MEETING (CONTINUED)

3. On 9th June 2006, the first meeting of the fourth Board of the Company was held, at which the following resolutions were considered and approved:
 - a. To elect Mr. Luo Fu Qin as the Chairman of the fourth Board of the Company and authorize him as the authorized representative;
 - b. To appoint Mr. Wang Xiang Fei as the Chairman of the third Audit Committee of the Company and Mr. Sun Yu and Mr. Liu Xing as members of the third Audit Committee of the Company; to appoint Mr. Luo Fu Qin as the Chairman of the second Strategic Committee of the Company and Mr. Chen Shan, Mr. Sun Yi Jie, Mr. Tu De Ling, Mr. Yang Zhi Wei and Mr. Liu Xing as members of the second Strategic Committee of the Company; to appoint Mr. Sun Yu as the Chairman of the second Salary and Remuneration Review Committee of the Company and Mr. Yuan Jin Fu, Mr. Wang Xiang Fei and Mr. Liu Xing as members of the second Salary and Remuneration Review Committee of the Company, all with terms of three years.
 - c. To approve the Work Regulations of Audit Committee, Work Regulations of Strategic Committee and Work Regulations of Salary and Remuneration Review Committee of the Company, and to abolish Work Regulations of Audit Committee, Work Rules of Strategic Committee and Work Rules of Salary and Remuneration Review Committee of the Company.



BOARD MEETING (*CONTINUED*)

4. On 30th August 2006, the second meeting of the fourth Board of the Company was held, at which the interim report of 2006 of the Company, the unaudited interim financial accounts of 2006 and the interim results announcement were considered and approved.

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company convened two meetings, details of which are as follows:

1. On 29th March 2006, the sixth meeting of the second Supervisory Committee of the Company was held, at which the Company's annual results announcement for 2005, annual report for 2005 and audited financial accounts for 2005, auditor's report, connected transactions for 2005 and appointment of external auditors were considered and approved.
2. On 28th August 2006, the first meeting of the third Audit Committee was held, at which 2006 interim report, unaudited interim financial accounts for 2006 and result announcement were considered and approved.



STRATEGIC COMMITTEE

As at the date of the report, one meeting of the Strategic Committee was convened:

On 9th June 2006, the first meeting of the second Strategic Committee was convened, at which Work Regulation of Strategic Committee (Draft) was considered and approved.

SALARY AND REMUNERATION REVIEW COMMITTEE

As at the date of the report, one meeting of the Salary and Remuneration Review Committee was convened:

On 9th June 2006, the first meeting of the second Salary and Remuneration Review Committee of the Company was convened, at which the remuneration policy of 2006 for executive directors and senior management and Work Regulation of Salary and Remuneration Review Committee (Draft) were considered and approved.



SUPERVISORY COMMITTEE

As at the date of this report, three meetings of the Supervisory Committee of the Company were convened, details of which are as follows:

1. On 29th March 2006, the seventh meeting of the third Supervisory Committee was convened, at which the 2005 annual report, audited financial accounts for 2005, result announcement, report of Supervisory Committee of 2005 were considered and approved.
2. On 9th June 2006, the first meeting of the fourth Supervisory Committee of the Company was convened, at which Mr. Zhu Jian Pai was elected as the Chairman of the fourth Supervisory Committee of the Company.
3. On 28th August 2006, the second meeting of the fourth Supervisory Committee was convened, at which the Company's 2006 interim report, unaudited interim financial accounts for 2006 and result announcement were considered and approved.

DIVIDENDS

The final dividend paid in 2005 was RMB0.15 per share (2004 final: RMB0.20), totalling RMB159,592,000 (2004 final: RMB212,789,000).

Dividend of RMB0.08 was proposed at the Board meeting held on 30th August 2006, totalling RMB110,650,000. The dividend payable is not reflected in this interim financial report. The dividend payable will be accounted as appropriation of retained earnings in shareholders' equity for the year ended 31st December 2006.



SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

According to the regulations of Section 336 of Securities and Futures Ordinance of Hong Kong (“SFO”) as at 30th June 2006, the equity interests and short position of the shares or underlying shares of the Company registered in the equity registrar of the Company are as follows:

Name of shareholders	Class of shares	Number of shares (‘000 shares)	Percentage in the total issued share capital (%)
Chongqing Iron & Steel Company (Group) Limited	State-owned legal person shares	650,000	61.09
UBS AG	H shares	65,683	6.17

Save as disclosed above, as at 30th June 2006, none of the persons (whose interests are set out in the section “Interests of directors and supervisors in shares of the Company or associated companies” below) other than directors and executive directors of the Company have any interests or short positions in shares or underlying shares of the Company that are required to be registered in accordance with Section 336 of the Securities and Futures Ordinance.



INTERESTS OF DIRECTORS AND SUPERVISORS

As at 30th June 2006, the interests and short positions of the directors and chief executives in the shares or underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (“SFO”) as recorded in the register required to be kept by the Company pursuant to Section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Interests in Duoli Real Estate Co., Ltd. of Chongqing Iron & Steel Group (original named Chongqing Hengda Steel Industrial Co., Ltd.):

Name (Note 1)	Number of shares
Yuan Jin Fu	2,400
Chen Shan	800
Yang Zhi Wei	800
Sun Yi Jie	800
Tu De Ling	800
Yuan Xue Bing	800
Chen Hong	1,600

Note 1: This represents interests of the directors and supervisors in Hengda which was transferred from the Company to the Holding Company in December 2002.



INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

Save as disclosed above, as at 30th June 2006, none of the directors or chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

For the period, none of the Directors or Supervisors or their spouses or children under 18 years of age has been granted by the Company the rights to subscribe for the Company's shares.

At no time during the period was the Company, its fellow subsidiaries or its Holding Company a party to any arrangements to enable the Directors or Supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the directors or supervisors of the Company were materially interested, either directly or indirectly, in any contract of significance subsisting during the period.



SIGNIFICANT EVENTS

1. On 4th January 2006, as approved by Ministry of Commerce of the PRC, the Holding Company of the Company pledged 650,000,000 non-listed state-owned legal person shares in the Company to Chongqing Guodi Assets Operation and Management Company.
2. On 15th March 2006, the Company's 1350m³ blast furnace was put into production.
3. On 18th April 2006, the 47th meeting in manner of written resolution of the third Board approved the resignation of Mr. Qiang Bai Qian as Deputy General Manager of the Company.
4. On 16th May 2005, the 50th meeting in manner of written resolution of the third Board approved the resignation of Mr. Yang Zhi Wei as General Manager for the reason of job change and the appointment of Mr. Chen Shan as General Manager of the Company.
5. On 17th May 2005, the 51st meeting in manner of written resolution of the third Board approved nomination of Mr. Chen Shan as General Manager and appointment of Mr. Chen Hong and Mr. Li Ren Sheng as Deputy General Manager of the Company.



PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

During the period, the Company did not purchase, sell or redeem any securities of the Company.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 30th June 2006, the Company had not placed any designated deposits with any financial institutions in the PRC, nor had it failed to collect any time deposits upon maturity during the period.

FOREIGN EXCHANGE RISK

The Company's sales and operating profit are all derived within the PRC's domestic regions. Most of the transactions, assets and liability of the Company are denominated in Renminbi or US dollars. Renminbi cannot be converted into other currencies freely.

Risk of foreign currency is incurred by future commercial trading, recognised assets and liability of overseas business. The Company controls the risk on foreign exchange through periodical review and supervisory on the exposure of foreign exchange.



PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

The Company has pledged certain of its fixed assets as securities for bank loans. As at 30th June 2006, the net book value of the Company's pledged fixed assets amounted to RMB541,560,000 (31st December 2005: RMB558,100,000).

As at 30th June 2006, the Company had no contingent liabilities (31st December 2005: nil).

MATERIAL LITIGATION

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

SALE OF STAFF QUARTERS

During the period, the Company had not sold any quarters to its employees, nor had it incurred any expenses as a result of the Holding Company's sale of quarters to the Company's employees.



EMPLOYEES AND REMUNERATIONS

As at 30th June 2006, the Company had 11,623 employees, including 9,760 production operators, 822 technical staff and 1,041 management staff.

The Company implemented remuneration distribution policy that the duties are linked with efficiency. The remuneration of employee will be distributed in accordance with appraisal in respect of working responsibility, technique, strength, environment and contribution. During the period, the staff cost of the Company amounted to RMB257,030,000 (For the six months ended 30th June 2005: RMB308,210,000).

The Company has always placed emphasis on staff training and knowledge upgrade. During the period, the staff received training for a total of 6,416 times, covering 54.80% of the staff.

CORPORATE GOVERNANCE

As at the date of this report, the Company has taken the Model Code for Securities Transactions by Directors of Listed Issuers of the Stock Exchange of Hong Kong Limited as set out in Appendix 10 of Listing Rules ("Listing Rules") as the code for securities transactions by its Directors and Supervisors. Based on specific enquiries to all Directors and Supervisors, the Company confirms that all Directors and Supervisors had complied with the requirements of the Model Code concerning the securities transactions by Directors during the reporting period.

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



DOCUMENTS AVAILABLE FOR INSPECTION

The interim report signed by the Chairman of the Company.

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By order of the Board

Chairman

Luo Fu Qin

Chongqing, China
30th August 2006

