

CONTENTS

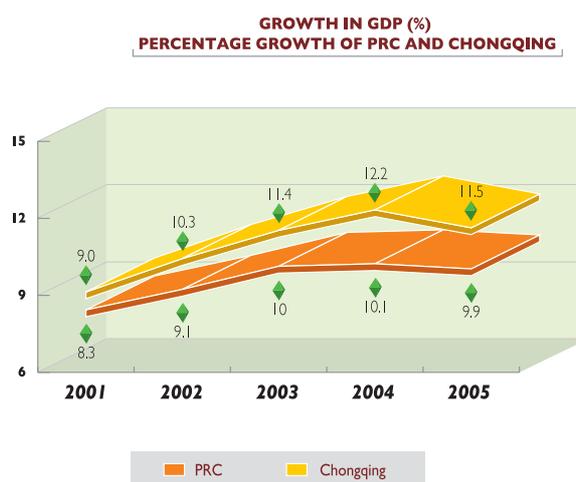
Company Information	3
Corporate Profile	10
Financial Highlights	12
Chairman's Statement	14
Corporate Governance Report	18
Management Discussion and Analysis	25
Report of the Board of Directors	28
Report of the Supervisory Committee	49
Directors, Supervisors and Senior Management	51
Auditors' Report	58



Chongqing Iron & Steel Company Limited (the “Company”) was established on 11th August 1997, and is part of the restructuring schedule of a State-owned enterprise known as Chongqing Iron & Steel Company (Group) Limited (the “Holding Company”). Pursuant to the restructuring, the principal iron and steel business undertakings and one of the subsidiaries, Chongqing Hengda Steel Industrial Co., Ltd. (“Hengda”) of the Holding Company were taken over by the Company, whereupon the Company issued 650,000,000 State-owned shares of Rmb1 each to the Holding Company. The Company’s H shares were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 17th October 1997. The Company became a foreign investment joint stock limited company on 7th December 1998 pursuant to the approval of the Ministry of Foreign Trade and Economic Co-operation of the People’s Republic of China.

In December 2002, the Company acquired all assets and liabilities of Hengda. At the same time, the Company disposed of its entire interests in Hengda to the Holding Company. Following the disposal of Hengda, the Company does not have any subsidiary (Please refer to the 2002 Annual Report of the Company for the details of the asset restructuring).

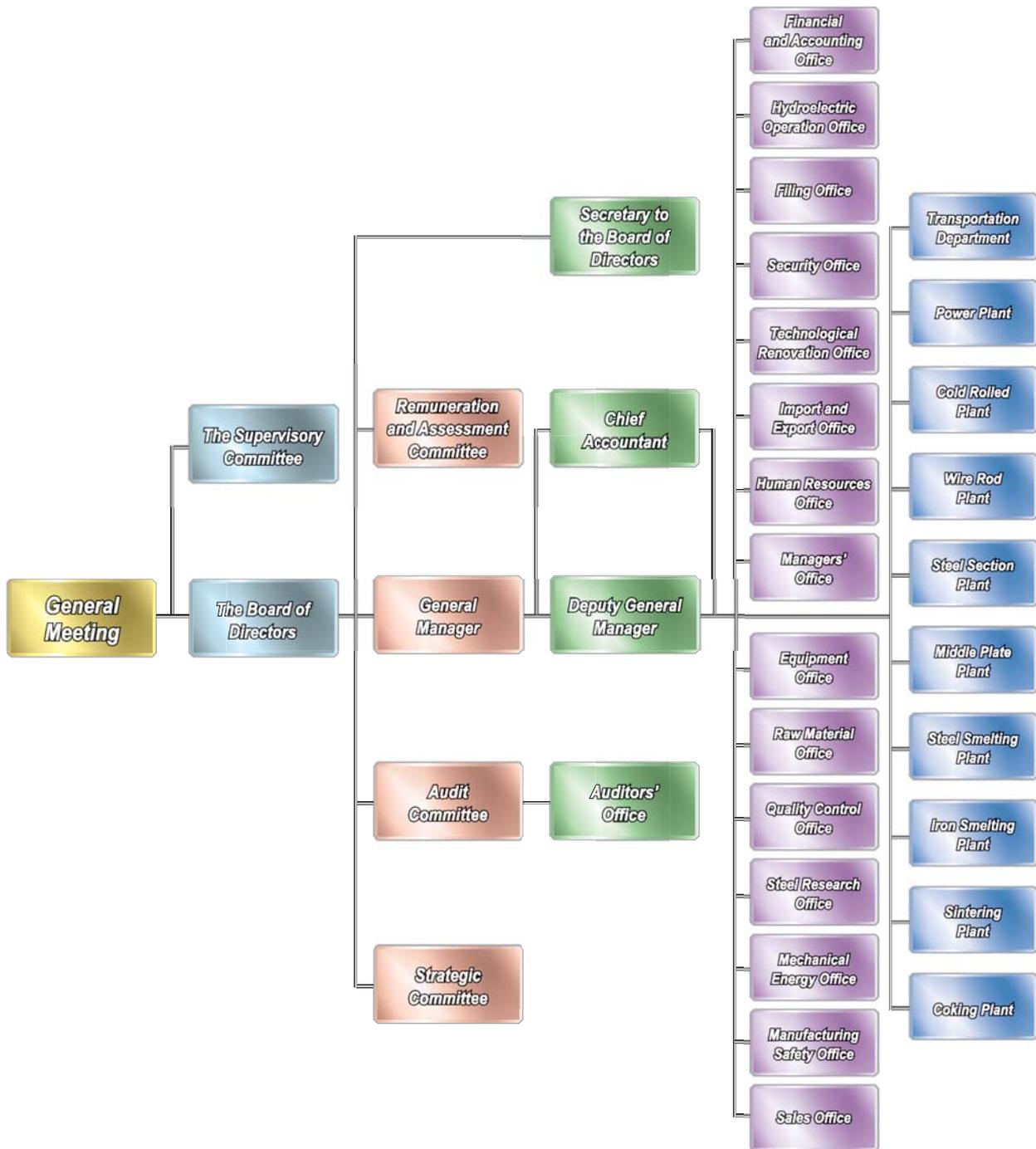
The Company is situated in Chongqing, a city under direct supervision of the State and an economic centre along the middle upper course of the Yangtze River. The strategic development of the Western region and the infrastructure construction work in the Three Gorges Area of the Yangtze River will result in faster economic growth of Chongqing and mid-west area of the PRC, the Company will benefit from the economic growth of the region and this will certainly foster further development of the Company.



Note: The GDP growth rate represents the data from the Announcement of Revision on Historical Data of GDP issued by National Bureau of Statistics of China on 9th January 2006.

COMPANY INFORMATION (CONTINUED)

Organisation Structure (as at 31st December 2005)



Principal Businesses and Major Products

The Company is a large scale iron and steel producer in the People's Republic of China (the "PRC") and is one of the largest producers of medium-gauge steel plates in the PRC. The principal business activities consist of the manufacture and sale of medium-gauge steel plates, steel sections, wire rods, cool rolled sheets, steel billets and coking and smelting by-products, etc. Over 60% of its products are sold in Chongqing City and midwest area of the PRC. The Company adopted advanced technology and skills in production of high quality products through integrated production process. Steel products such as steel plates for ship building, pressure vessel plates and steel plates for boilers have received a number of quality awards and quality certificates issued by a number of domestic and international professional organisations. The products with the brand "Sanfeng" are very famous among products of the same category in the PRC.

Major products of the Company in 2005 and their applications are set out below :

A. Medium-gauge steel plates

Plates for shipbuilding:

Mainly used in the construction of the skeleton of ships.

Pressure vessel plates:

Mainly used in the manufacturing of pressure vessels such as reaction vessels, heat exchanging vessels, separating vessels and storage vessels.

Plates for boilers:

Mainly used in the manufacturing of cylinders and shell covers for medium and low pressure boilers.

Normal carbon structural plates:

Widely used in the machinery, construction and transportation industries.

A variety of low-alloy steel plates and others:

Widely used in machine engineering, heavy vehicle manufacturing, construction of bridges, mining and heat-resistant equipment.

Medium-gauge steel plates accounted for approximately 45.55% of the sales of the Company in 2005.

COMPANY INFORMATION *(CONTINUED)*

B. Steel Sections

Widely used in machinery, construction, shipbuilding, mine exploration and transportation industries.

Steel sections accounted for approximately 20.90% of the sales of the Company in 2005.

C. Wire rods

Mainly used in construction and wire rod products industries.

Wire rods accounted for approximately 11.37% of the sales of the Company in 2005.



D. Cold rolled thin plates

Mainly used in automobile, motorcycle, security doors and steel-structured factory premises.

Cold rolled thin plates accounted for approximately 2.57% of the sales of the Company in 2005.

E. Steel billets

Mainly sold to other steel producers who are not deemed as competitors of the Company.

Steel billets accounted for approximately 13.48% of the sales of Company in 2005.

F. Non-steel by-products

The non-steel by-products produced in the course of iron and steel production process mainly include coking coal, coking by-products such as industrial naphthalene, ammonium sulphate, crude benzene etc., blast furnace grain slag and the provision of utilities such as water and electricity.

Non-steel by-products accounted for approximately 6.13% of the sales of the Company in 2005.

SALES ANALYSIS OF PRINCIPAL PRODUCTS OF THE COMPANY FOR 2005

