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

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

(Stock Code: 1053)

PRELIMINARY ANNOUNCEMENT ON 2007 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2007

The board of directors (the "Board") of Chongqing Iron & Steel Company Limited (the "Company") is pleased to present the unaudited results of the Company for the six months ended 30th June 2007, together with the comparative figures for 2006.

CONDENSED INTERIM BALANCE SHEET

(Prepared under Hong Kong Accounting Standard)

	Note	30th June 2007 Unaudited *RMB'000*	31st December 2006 Audited *RMB'000*
ASSETS			
Non-current assets			
Tangible and intangible assets		**5,519,112**	5,532,413
Land use right		**26,441**	26,914
Available-for-sale financial asset		**5,000**	5,000
Deferred income tax assets		**5,361**	2,938
Trade and other receivables	5	**58,100**	62,600
Total non-current assets		**5,614,014**	5,629,865
Current assets			
Inventories		**2,063,198**	2,146,968
Trade and other receivables	5	**1,541,192**	688,061
Prepayment for income tax		**—**	21,871
Restricted cash		**35,406**	63,870
Cash and cash equivalents		**1,373,980**	313,772
Total current assets		**5,013,776**	3,234,542
Total assets		**10,627,790**	8,864,407

EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**1,733,127**	1,383,127
Other reserves		**1,572,255**	954,204
Retained earnings			
— Proposed interim / final dividend		**—**	173,313
— Others		**1,651,877**	1,389,133
Total equity		**4,957,259**	3,899,777
LIABILITIES			
Non-current liabilities			
Borrowings	6	**325,000**	295,000
Deferred income		**78,304**	77,304
Trade and other payables		**174,456**	233,038
Total non-current liabilities		**577,760**	605,342
Current liabilities			
Borrowings	6	**2,826,622**	2,347,653
Income tax payable		**3,129**	—
Trade and other payables		**2,263,020**	2,011,635
Total current liabilities		**5,092,771**	4,359,288
Total liabilities		**5,670,531**	4,964,630
Total equity and liabilities		**10,627,790**	8,864,407
Net current liabilities		**(78,995)**	(1,124,746)
Total assets less current liabilities		**5,535,019**	4,505,119

CONDENSED INTERIM INCOME STATEMENT

(Prepared under Hong Kong Accounting Standard)

		Six months ended 30th June	
		2007	2006
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Sales	4	**5,723,399**	4,420,427
Cost of goods sold		**(5,080,464)**	(4,118,740)
Gross profit		**642,935**	301,687
Other (losses)gains - net		**(6,740)**	14,655
Selling and marketing costs		**(110,932)**	(85,023)
Administrative expenses		**(132,145)**	(99,853)
Operating profit	7	**393,118**	131,466
Finance costs		**(107,797)**	(96,427)
Profit before income tax		**285,321**	35,039
Income tax expense	8	**(22,577)**	(6,654)
Profit for the half-year		**262,744**	28,385
Attributable to:			
Equity holders of the Company		**262,744**	28,385
Earnings per share for profit attributable to the equity holders of the Company			
— basic and diluted	9	**RMB0.163**	RMB0.021
Dividends	10(a)	**—**	110,650

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

(Prepared under Hong Kong Accounting Standard)

		Attributable to equity holders of the Company			
		Share capital	**Other reserves**	**Retained earnings**	**Total earnings**
		Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1st January 2006		1,063,944	922,720	1,929,260	3,915,924
— Profit for the half-year		—	—	28,385	28,385
— Dividend for 2005	10(a)	—	—	(159,592)	(159,592)
— Bonus issue for 2005	10(a)	319,183	—	(319,183)	—
Balance at 30th June 2006		1,383,127	922,720	1,478,870	3,784,717
Balance at 1st January 2007		1,383,127	954,204	1,562,446	3,899,777
— Profit for the half-year		—	—	262,744	262,744
— Dividend relating to 2006	10(a)	—	—	(173,313)	(173,313)
— Additional A share issue	10(b)	350,000	—	—	350,000
— Share capital premium	10(c)	—	618,051	—	618,051
Balance at 30th June 2007		1,733,127	1,572,255	1,651,877	4,957,259

CONDENSED INTERIM CASH FLOW STATEMENT

(Prepared under Hong Kong Accounting Standard)

	Six months ended 30th June	
	2007	2006
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cash flows from operating activities	**203,802**	364,396
Cash flows from investing activities:		
— purchases of property, plant and equipment	**(549,297)**	(423,710)
— proceeds on disposal of property, plant and equipment	**4,127**	1,314
— other investing cash flow - net	**3,815**	—
Cash flows used in investing activities - net	**(541,355)**	(422,396)

Cash flows from financing activities:		
— interest paid	**(109,188)**	(97,500)
— repayments of borrowings	**(1,467,204)**	(948,792)
— new additions of borrowings	**1,976,173**	901,138
— other finance cash flows - net	**969,516**	207,680
Cash flows generated from financing activities - net	**1,369,297**	62,526
Net increase in cash and cash equivalents	**1,031,744**	4,526
Cash and cash equivalents at beginning of period	**377,642**	451,220
Cash and cash equivalents at end of period	**1,409,386**	455,746

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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 Company has its primary listing 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.

On 28th February 2007, A shares of the Company listed on the Shanghai Stock Exchange ("Shanghai Exchange").

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.

This unaudited condensed interim financial information was approved for issue on 23rd August 2007.

2 BASIS OF PREPARATION

This condensed interim financial information for the half-year ended 30th June 2007 has been prepared in accordance with HKAS 34,°•Interim financial report'.The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31st December 2006.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2006, as disclosed in the annual financial statements for the year ended 31st December 2006.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31st December 2007.

- HKFRS 1(Amendment): Capital disclosures
- HKFRS 7(Amendment): Financial instruments: Disclosures
- HK(IFRIC) — INT 11: Group and Treasury Share Transactions

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

- HKAS 23 (Amendment): Borrowing Costs (Effective for annual periods beginning on or after 1st January 2009).
- HK(IFRIC) — INT 12: Service Concession Arrangements (Effective for annual periods beginning on or after 1st January 2008). Management do not expect the interpretation to be relevant for the Company.
- HKFRS 8: Operating Segments (Effective for annual periods beginning on or after 1st January 2009). Management do not expect the interpretation to be relevant for the Company.

4 REVENUE AND SEGMENT INFORMATION

	Six months ended 30th June	
	2007	2006
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Sale of steel products	**5,439,193**	4,172,698
Other sales	**284,206**	247,729
	5,723,399	4,420,427

The Company mainly conducts its business within one business segment - the business of manufacture and sale of steel products in the PRC. No segment statement of income has been prepared by the Company for the six months ended 30th June 2007. The Company also mainly operates within one geographical segment because its revenue is primarily generated in the PRC and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

5 TRADE RECEIVABLES

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 (including amounts due from related parties of trading in nature) as at 30th June 2007 and 31st December 2006 is as follows:

		As at
	30th June	31st December
	2007	2006
	Unaudited	Audited
	RMB'000	*RMB'000*
Within 3 months	**636,107**	518,085
Between 3 month and 1 year	**291,710**	5,732
Between 1 and 2 years	**1,155**	5,342
Between 2 and 3 years	**2,138**	2,105
Over 3 years	**161,286**	159,665
	1,092,396	690,929

6 BORROWINGS

	30 June 2007	31 December 2006
	Unaudited	Audited
	RMB'000	*RMB'000*
Non-current		
Secured bank borrowings (Note (a))	**145,000**	220,000
Unsecured bank borrowings (Note (b))	**180,000**	75,000
	325,000	295,000
Current		
Secured bank borrowings (Note (a))	**654,000**	778,000
Unsecured bank borrowings (Note (b))	**2,172,622**	1,596,653
	2,826,622	2,347,653
Total borrowings	**3,151,622**	2,642,653

(a) Bank borrowings of Rmb799,000,000 (2006: Rmb998,000,000) are secured by certain property, plant and equipment of the Company as at 30 June 2007 together with the land use right owned by the Company and the land use right owned by the Holding Company.

(b) Unsecured bank borrowings of Rmb1,748,000,000 (2006: Rmb1,415,000,000) are guaranteed by the Holding Company as at 30 June 2007.

(c) Bank borrowings of Rmb1,566,000,000 (2006: Rmb1,314,000,000) are borrowed from state-owned banks as at 30 June 2007.

7 OPERATING PROFIT

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

	Six months ended 30th June	
	2007	2006
	Unaudited	Unaudited
	RMB'000	*RMB'000*
(Reversal of provision)/provision for impairment of receivables	**(1,384)**	6,334
Provision / (Reversal of provision) for impairment of inventories	**13,566**	(8,796)
Provision for impairment of property, plant and equipment	**8,510**	—
Loss on disposal of property, plant and equipment	**4,801**	(1,267)

8. Income Tax

The income tax expense was calculated based on the best estimate on the weighted average income tax rate for 2007 made by the management of the Company. The income tax rate for 2007 is expected to be 15% (2006: 15%).

	Six months ended 30th June	
	2007	2006
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current PRC income tax	**25,000**	6,628
Deferred income tax	**(2,423)**	26
	22,577	6,654

No Hong Kong profit tax (six months ended 30 June 2006: nil) has been provided as the Company had no taxable profit in Hong Kong for the six months ended 30 June 2007.

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company of RMB262,744,000 (six months ended 30th June 2006: RMB28,385,000) by the weighted average number of ordinary shares in issue during the half-year period of 1,616,460,533 shares (six months ended 30th June 2006: 1,117,141,200 shares).

Diluted earnings per share equals to basic earnings per share as there are no potential dilutive shares outstanding as at 30th June 2007 (30th June 2006: nil).

10 CHANGES IN EQUITY

(a) Dividends

Pursuant to the Annual General Meeting held on 9th June 2006, a 2005 final dividend of RMB0.15 per share, totaling RMB159,592,000 and 3 bonus issue for every 10 shares (totaling 319,183,000 shares) were declared and paid on 9th August 2006, based on the issued shares of 1,063,944,000 shares as at 31st December 2005.

Approved by the Annual General Meeting held on 18th June 2007, A 2006 final dividend of RMB0.1 per share, totalling RMB173,312,720 was declared and paid, based on the issued shares of 1,733,127,200 shares as at 28th February 2007.

The Board declared no interim dividend for 2007.

(b) ***Additional A Share Issue***

In February 2007, 350,000,000 A shares were issued by the Company to public investors and listed on the Shanghai Exchange on 28th February 2007. The 845,000,000 state owned shares held by Parent Company have been automatically converted into A Share upon the completion of the aforesaid A share issue.The Parent Company has undertaken that within a period of 36 months from the date of listing of the A shares of the Company, it will not transfer or nominate any other persons to manage its holding shares in the Company and will not proceed with any re-purchase of its holding shares in the Company by the Company.

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

(c) ***Share capital premium***

Total proceeds of RMB 1,008,000,000 was the issue of raised from A shares by the Company to public investors with the share capital amounting to RMB 350,000,000. The issue expense was RMB39,949,500. Capital surplus was increased by share capital premium of RMB618,050,500 .

BUSINESS REVIEW AND OUTLOOK

In the first half of 2007, the national economy of China kept steady growth momentum and domestic steel saw flourishing demand. Steel price has been rising slightly as it did at the end of last year. The Company incurred higher cost and less profit for steel production due to the appreciation of such raw materials as iron ore, coking coal, and ferroalloy, especially another price increase of 9.5% in imported iron ore from last year. By adjusting its marketing strategy and seizing the opportunities in the steel market, the Company put its production capacity into full play, lowered its cost by improving working procedure and put more efforts on the development of high added value products. Accordingly, steady growth in operation and favourable profits were achieved. In the first half of 2007, the Company's sales revenue amounted to RMB5,723.4 million, representing an increase of 29.48% from the same period of last year. In accordance with China Accounting Standards, the net profit amounted to RMB263,925,800 in the first half of 2007; earnings per share was RMB0.16. In accordance with Hong Kong Accounting Standards, net profit amounted to RMB262,744,000 in the first half of 2007, representing an increase of 825.64%; earnings per share was RMB0.163, representing an year-on-year increase of 676.19% .

- **Strengthening management for production scale expansion**

  In the first half of the year, the Company implemented the requirement of "Press ahead production and maximize the potential production capacity" and focused on steel & iron smelting while organizing production deliberately and balancing production plan for each month. Meanwhile, it effectively managed the production in steel rolling systems based on steel contracts and ensured the timely delivery of steel contract. As a result, the output of major products of the Company showed a noticeable increase as compared with the same period of last year. In the first half of the year, the Company produced 679,200 tonnes of coking coal, 1,458,100 tonnes of pig iron, 1,675,600 tonnes of steel and 1,601,000 tonnes of steel products, up 6.07%, 17.11%, 17.04% and 18.71% year-on-year respectively, reaching a historical high.

- **Seizing opportunities for marketing growth**

  Facing the favourable situations in steel products market during the first half of the year, the Company strengthened the market investigation and timely adjusted its product prices for the purpose of maximizing profit. Meanwhile, the Company enhanced the cooperation with strategic customers and communication with clients. In the first half of the year, it sold 1,582,200 tonnes of steel products, up 14.62% from same period last year.

- **Reducing consumption and cost for improvement of technical and economic indicators**

  In the first half of the year, the Company pressed ahead the reduction of cost and consumption during the production process. As a result, the major technical and economic indicators were improved considerably. In particular, 38 of 59 sub-indicators in 45 comparable technical and economic indicators recorded a breakthrough in historical standards with the indicator refreshing rate of 64.40% while 47 indicators showed considerable improvement with indicator improvement rate of 77.66%. Of which, the utilization coefficient of blast furnace up 8.23% and the energy consumption in sintering, iron smelting, steel rolling procedures declined 3.45%, 8.05% and 0.91% respectively, and the comprehensive energy consumption per tonne of steel down 12.99% as compared with the same period last year.

- **Improving quality for market reputation**

  During the first half of the year, the Company made amendment, supplement and improvement to the quality system handbook, procedure documents and quality handbook of quality inspection centre. Meanwhile, the Company made amendments to 104 internal control standards and strengthened further the quality inspection and acceptance of raw materials and auxiliary materials while enhancing the whole process monitoring. Accordingly, the quality control during production process and the quality stability of products were secured. For 24 targets of quality appraisal established by the Company at the beginning of the year, 21 targets were achieved with a target completion rate of 87.50%, representing a noticeable increase over the same period of last year. Also, quality disputation per tonne saw a significant decrease.

- **Developing profitable products to address market needs**

  The Company made efforts on the development of profitable products to meet the market demand. In the first half of 2007, four products were successfully developed by the Company including PC steel bar 30MnSi, 18# I-beam steel, CGQ550D steel plate, A32 (quixin) 40# flat-bulb steel. The output of new products and products with special requirement reached 349,190 tonnes, realizing an output value of RMB1,131,585,000, leading to an increase of 14.20% and 19.50% respectively over the same period of last year.

- **Advancing the technological renovations to sharpen competitive edge**

  In the first half of the year, the Company carried out renovation projects such as medium plate roller's heat treatment, blast furnace pulverized coal injection system, high strength wire roller, coking system, 50MW gas-steam combined generating units, 30,000 cubic meters converter gas tank capacity expansion, power system for 500MW gas turbine engine. As a result, the Company's market competitive edge has been strongly enhanced.

OUTLOOK

In the second half of 2007, as China continues to adopt macro control measures, China's economy will maintain steady development. In addition to large-scale Investment in fixed assets under construction, downstream steel- consuming industries such as machinery, home appliance, shipbuilding, automobile, petrochemicals will maintain a relatively rapid growth, leading a steady growth of the steel market. As such, on the market front, the Company will keep a close eye on specialised market demand, make timely adjustment to its product mix and enlarge the market share of profitable products. At the same time, the Company is to optimize ore proportioning plan by increasing the proportion of domestic low price ores. Furthermore, the Company set to make efforts on reducing consumption and exploring potentials while strengthening fund management, controlling expenses, enhancing cost accounting and cost control. Pressing ahead meticulous management and maintaining balanced production according to the contract, the Company attached more importance on equipment operation and maintenance to improve the equipment utilization and lay a favourable conditions for production growth. The Company continue to tackle key issues of quality weakness and improve the quality of product and service further.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at 30th June 2007, in accordance with Hong Kong Accounting Standards, the Company achieved revenue from principal operation of RMB5,723,400,000, representing a year-on-year increase of 29.48%. Profit before tax amounted to RMB285,320,000, representing a year-on-year increase of 714.30%.

(1) Principal operation of the Company during the reporting period under the Hong Kong Accounting Standards

In the first half of 2007, the Company's principal revenue amounted to RMB5,723,400,000, of which RMB2,644,840,000 was derived from the south-west region, representing a year-on-year increase of 20.36%, and RMB3,078,560,000 was derived from other regions, representing a year-on-year increase of 38.48%.

Region	**Revenue from principal operations** *RMB0'000*	**Year-on-year increase/ decrease in trunover**
South-west region	264,484	20.36
Other regions	307,856	38.48
Total	572,340	29.48

In the first half of 2007, the Company's principal revenue amounted to RMB5,723,400,000, of which RMB5,439,190,000 was derived from sales of steel products, representing 95.03% of the total revenue, up 30.35% over the same period of last year, and RMB284,210,000 was derived from sales of coking by-products, cutting steel leftover and hydroelectricity, which accounted for 4.97% of the total revenue, up 14.73% from the same period of last year.

	first half of 2007		first half of 2006		Year-on-year Increase/ decrease
		Percentage		Percentage	
Revenue	***RMB0'000***	*(%)*	*RMB0'000*	*(%)*	*(%)*
Steel plates	**251,052**	**43.86**	197,610	44.70	27.04
Steel sections	**145,001**	**25.33**	112,374	25.42	29.03
Wire rods	**65,666**	**11.47**	51,122	11.56	28.45
Steel billets	**64,725**	**11.31**	43,001	9.73	50.52
Cool rolled plates	**17,475**	**3.05**	13,163	2.98	32.76
Subtotal	**543,919**	**95.03**	417,270	94.40	30.35
Others	**28,421**	**4.97**	24,773	5.60	14.73
Total	**572,340**	**100**	442,043	100	29.48

In the first half of 2007, the sales revenue of the Company's steel products (billets) increased by RMB1,266,490,000 as compared with the same period of last year, which was attributable to an increase in production and sales volume and price. In the first half of 2007, the Company sold 1,582,200 tonnes of steel products (billets), representing an increase of 14.62% over the same period of last year which increased sales revenue by RMB575,150,000. Meanwhile, the average selling prices of steel products (billets) was RMB3,438 per tonne, representing an increase of 13.73% from the same period of last year which increased sales revenue by RMB691,340,000.

Sales volume	**In the first half of 2007** *(10,000 tonnes)*	In the first half of 2007 *(10,000 tonnes)*	Year-on-year Increase/ decrease *(%)*	Increase in revenue *(RMB0'000)*
Steel plates	**61.21**	62.12	-1.46	-2,895
Steel sections	**48.07**	38.73	24.12	27,100
Wire rods	**22.23**	18.13	22.61	11,561
Steel billets	**22.58**	15.50	45.68	19,642
Cool rolled plates	**4.13**	3.56	16.01	2,108
Total	**158.22**	138.04	14.62	57,515

Selling price	**In the first half of 2007** *(RMB/tonne)*	In the first half of 2006 *(RMB/tonne)*	Year-on-year Increase/ decrease *(%)*	Increase in revenue *(RMB0'000)*
Steel plates	**4,101**	3,181	28.93	56,337
Steel sections	**3,017**	2,902	3.96	5,527
Wire rods	**2,954**	2,820	4.76	2,983
Steel billets	**2,866**	2,774	3.32	2,082
Cool rolled plates	**4,232**	3,698	14.43	2,204
Total	**3,438**	3,023	13.73	69,134

(2) Operating results of the Company during the reporting period under Hong Kong Accounting Standards

In the first half of 2007, the Company's profit before tax amounted to RMB285,320,000, representing an increase of RMB250,280,000 over the same period of last year, of which:

(i) Gross profit from principal operations amounted to RMB642,940,000 representing an increase of RMB341,250,000 over the same period of last year, mainly due to the increase in the price of steel products.

In the first half of 2007, the average selling price of steel products (billets) was 3,438/tonne, representing an increase of 13.73% over the same period of last year, which increased profit by RMB691,340,000. However, due to the appreciation of such raw materials as ore, coal and scrap steel which decreased profit by RMB350,090,000, the profit growth of Company was lowered.

(ii) Other loss amounted to RMB6,740,000, up RMB21,400,000 over the same period of last year.

It was mainly attributable to the provision for assets impairment according to the accounting policy in the first half of 2007.

(iii) Sales and marketing costs amounted to RMB110,930,000, representing an increase of RMB25,910,000 over the same period of last year, which was mainly attributable to an increase in shipbuilding inspection expenses as a result of the expanded sales volume of ship plates.

(iv) Administrative expenses amounted to RMB132,150,000, representing an increase of RMB 32,290,000 over the same period of last year, which was attributable to the decreased wages of the Company as a result of shrunk profitability in the same period of last year.

(v) Finance costs amounted to RMB107,800,000, representing an increase of RMB11,370,000 as compared with the same period of last year, which was mainly attributable to an increase in interest expense as a result of the increased long term and short term loans and raised interest rate.

(3) Use of Proceeds

The Company raised net proceeds of RMB968,050,500 by A share issuing in February 2007. As at the reporting date, RMB400,000,000 was utilized on an accumulated basis, all of which was used for land purchase, relocation and settlement, infrastructure renovation and other relevant expenses concerning hot rolling plate-strip project in Chang Shou Yan Jia Industrial Park. Investment by used proceeds was in line with schedule and has not yet recorded any gains. As at the reporting date, the remaining proceeds was RMB568,050,500 and would be used for its initial purposes as set out in the prospectus.

(4) Financial status of the Company during the reporting period under the Hong Kong Accounting Standards

(i) As at 30th June 2007, the Company's total assets amounted to RMB10,627,790,000 and the total liabilities amounted to RMB5,670,530,000 with gearing ratio of 53.36% ; The current assets amounted to RMB5,013,780,000 while the current liabilities amounted to RMB5,092,770,000. The current assets/current liabilities ratio was 98.45%.

(ii) In the first half of 2007, due to the increase in sales of the Company, net cash from operating activities amounted to RMB203,800,000. Together with the net cash flow from financing activities of RMB1,369,300,000 as a result of A share issue, the Company's current cash and cash equivalent increased by RMB1,031,740,000 after deducting net cash outflow from investment project of RMB541,360,000 as a result of saving energy and material consumption and improving asset function by the Company, As at 30th June 2007, The Company's bank balances and cash amounted to RMB1,409,390,000.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is 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 of Hong Kong Limited (" Listing Rules of the Stock Exchange"). During the reporting period, all directors and supervisors had complied with the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of Listing Rules of the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

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

STAFF

As at 30 June 2007, the Company had 11,595 employees, including 9,737 production operators, 192 sales staff, 806 technical staff, 102 financial staff and 758 management staff.

The Company has placed emphasis on staff skill training and knowledge upgrade. During the reporting period, total 6,408 staff received training, covering 59.16% of the staff

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SUBSTANTIAL SHAREHOLDERS

1. Changes in share capital (shares)

Unit: Share

	Prior to the change		Increase/decrease (+, -) of the change					After the change	
	Numbers of share	Percentage (%)	Issue of new share	Bonus share	Conversion from reserve	Others	Subtotal	Numbers of share	Percentage (%)
1. Shares subject to trading moratorium									
1. State owned legal person shares	845,000,000	61.09	—	—	—	—	—	845,000,000	48.76
2 Shares not subject to trading moratorium									
1. Renminbi denominated ordinary shares	—	—	350,000,000	—	—	—	350,000,000	350,000,000	20.19
2. Overseas listed foreign shares	538,127,200	38.91	—	—	—	—	—	538,127,200	31.05
Total shares	1,383,127,200	100	350,000,000	—	—	—	350,000,000	1,733,127,200	100

2 Particulars of the top ten shareholders and top ten holders of shares not subject to trading moratorium

Unit: Share

Total number of shareholders	As at the end of the reporting period, there are 119,207 shareholders of the Company, including 118,992 holders of A share and 215 holders of H share.

Shareholding of top ten shareholders

Name of shareholder	Type of shareholder	Percentage (%)	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 shareholder	48.76%	845,000,000	845,000,000	23,460,000
HKSCC NOMINEES LIMITED	Foreign shareholder	30.27%	524,632,870	0	Unknown
UBS AG	Foreign shareholder	2.49%	43,117,491	0	Unknown
HSBC NOMINEES (HONG KONG) LIMITED	Foreign shareholder	0.45%	7,802,600	0	Unknown
Shenzhen Lisha Co., Ltd.	Others	0.25%	4,398,428	0	Unknown
Shenzhen Shan Kai Yuan Trade Co., Ltd.	Others	0.20%	3,535,800	0	Unknown
Xiong Yu Zhi	Others	0.11%	1,980,000	0	Unknown
Jiang Kai E	Others	0.11%	1,960,000	0	Unknown
Zeng Shu Yu	Others	0.11%	1,860,000	0	Unknown
Tai Kang Life Insurance Co., Ltd. -traditional common insurance products-019L-CT001 HU	Others	0.05%	879,412	0	Unknown

Particulars of the top ten holders of shares not subject to trading moratorium

Name of shareholder	Number of shares not subject to trading moratorium	Share class
HKSCC NOMINEES LIMITED	524,632,870	Foreign shares listed overseas
UBS AG	43,117,491	Foreign shares listed overseas
HSBC NOMINEES (HONG KONG) LIMITED	7,802,600	Foreign shares listed overseas
Shenzhen Lisha Co., Ltd.	4,398,428	Renminbi denominated ordinary shares
Shenzhen Shan Kai Yuan Trade Co., Ltd.	3,535,800	Renminbi denominated ordinary shares
Xiong Yu Zhi	1,980,000	Renminbi denominated ordinary shares
Jiang Kai E	1,960,000	Renminbi denominated ordinary shares
Zeng Shu Yu	1,860,000	Renminbi denominated ordinary shares
Tai Kang Life Insurance Co., Ltd. -traditional common insurance products-019L-CT001 HU	879,412	Renminbi denominated ordinary shares
Fortune Trust & Investment Co., Ltd.	879,412	Renminbi denominated ordinary shares

Explanation of the connected relationship or party acting in concert among the aforesaid shareholders.	There is no connected relationship or party acting in concert between Chongqing Iron & Steel (Group) Company Limited and the aforesaid shareholders. The Company is not aware of any connected relationship or party acting in concert among the other aforesaid shareholders.

USE OF RAISED PROCEEDS FROM A SHARE ISSUE

RMB'000

Total proceeds raised	968,050.5	Total proceeds utilized in the reporting period	400,000
		Total proceeds utilized in accumulated basis	400,000

Projects undertook	Planned investment	Changes	Actual investment	Return produced	In line with the schedule or not	In line with the expected return or not
technological renovations on plate-strip project	2,038,110	No		No	Yes	Yes
Total	2,038,110	—		—	—	—

Explanations for the failure to fulfil the plan in respect of progress and return	*N/A*
Explanations for the change and relevant procedures	*N/A*
Use of the proceeds unutilized	*To be utilized as planned in the prospectus*

PUBLICATION OF THE INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED.

The 2007 interim report containing all information as required by paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules of Stock Exchange will be published on the website of the Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Luo Fu Qin
Chairman

Chongqing, the PRC
23rd August 2007

At the date of this announcement, the directors of the Company are Mr. Luo Fu Qin, Mr. Yuan Jin Fu, Mr. Chen Shan, Mr. Sun Yi Jie, Mr. Chen Hong, Mr. Wang Xiang Fei (Independent Non-executive Director), Mr. Sun Yu (Independent Non-executive Director) and Mr. Liu Xing (Independent Non-executive Director).

Attachments: the interim financial statements (unaudited) under the PRC Accounting Standards and differences between PRC Accounting Standards and Hong Kong Accounting Standards

BALANCE SHEET

30th June 2007

Prepared by: Chongqing Iron & Steel Company Limited *Unit: RMB*

Assets	**Closing balance**	Opening balance
Monetary fund	**1,409,386,287.47**	377,642,185.73
Notes receivable	**597,938,027.85**	350,504,490.76
Accounts receivable	**335,195,929.11**	179,397,782.52
Prepayment	**584,692,194.80**	147,156,138.71
Other receivables	**23,366,224.41**	11,005,212.04
Inventories	**2,063,197,914.20**	2,146,967,559.02
Total current assets	**5,013,776,577.84**	3,212,673,368.78
Long-term equity investment	**5,000,000.00**	5,000,000.00
Fixed assets	**4,934,888,544.93**	4,767,864,527.16
Construction in progress	**544,396,033.97**	671,925,810.16
Constructive material	**39,827,208.56**	108,218,078.37
Intangible assets	**26,521,489.62**	10,215,492.56
Deferred income tax assets	**5,361,317.00**	2,938,018.00
Other non-current assets	**58,100,000.00**	62,600,000.00
Total non-current assets	**5,614,094,594.08**	5,628,761,926.25
Total assets	**10,627,871,171.92**	8,841,435,295.03

Company's legal representative:	Financial Controller:	Person in-charge-of Accounting:
Luo Fu Qing	**Song Ying**	**Song Ying**

LIABILITIES AND SHAREHOLDER'S EQUITY

30th June 2007

Prepared by: Chongqing Iron & Steel Company Limited *Unit: RMB*

	Closing balance	Opening balance
Short-term loan	**2,455,621,750.00**	1,826,653,250.00
Notes payable	**—**	110,000,000.00
Accounts payable	**1,087,712,845.60**	1,073,646,565.42
Advances from customerss	**865,678,422.34**	668,165,205.38
Remuneration payable to employees	**18,404,298.36**	16,296,311.04
Taxes payable	**26,201,050.64**	32,175,566.37
Dividend payable	**173,312,720.00**	-
Other payables	**94,840,029.53**	90,640,192.97
Non-current liabilitie due within one year	**371,000,000.00**	521,000,000.00
Total current liabilities	**5,092,771,116.47**	4,338,577,091.18
Long-term loan	**325,000,000.00**	295,000,000.00
Spefic payable	15,**982,164.90**	15,981,167.96
Deferred income	**1,000,000.00**	—
Other non-current assets	**158,473,917.96**	215,896,614.99
Total non-current liabilities	**500,456,082.86**	526,877,782.95
Total liabilities	**5,593,227,199.33**	4,865,454,874.13
Share capital	**1,733,127,200.00**	1,383,127,200.00
Captial reserve	**1,164,383,536.47**	546,333,036.47
Surplus reserve	**461,926,124.01**	461,926,124.01
Undistributed profits	**1,675,207,112.11**	1,584,594,060.42
Total shareholder's equity	**5,034,643,972.59**	3,975,980,420.90
Total liabilities and shareholder's equity	**10,627,871,171.92**	8,841,435,295.03

Company's legal representative:	Financial Controller:	Person in-charge-of Accounting:
Luo Fu Qing	**Song Ying**	**Song Ying**

INCOME STATEMENT

Jan-Jun 2007

Prepared by: Chongqing Iron & Steel Company Limited *Unit: RMB*

Items		Jan-Jun 2007
1.	**Operating income**	**5,741,852,210.91**
	Operating cost	**(5,080,950,274.45)**
	Costs of sales	**(110,932,041.97)**
	Administrative expenses	**(133,828,964.32)**
	Finance costs	**(104,405,748.42)**
	Losses from assets impairment	**(20,692,441.46)**
2.	**Operating profits (loss represented as "-")**	**291,042,740.29**
	Add: Non-operating income	**2,530,520.80**
	Less: Non-operating expenses	**(7,070,788.40)**
3.	**Total profits**	**286,502,472.69**
	Less: Income tax expenses	**(22,576,701.00)**
4.	**Net profits**	**263,925,771.69**
5.	**Earnings per share**	
	(1) Basic earnings per share	**0.16**
	(2) Diluted earnings per share	**0.16**

Company's legal representative:	Financial Controller:	Person in-charge-of Accounting:
Luo Fu Qing	**Song Ying**	**Song Ying**

CASH FLOW STATEMENT

Jan-Jun 2007

Prepared by: Chongqing Iron & Steel Company Limited *Unit: RMB*

1.	**Net cash flow from operating activities**	**Jan-Jun 2007**
	Cash received from sales of goods and rendering of services	**6,299,817,057.09**
	Other cash received relating to operating activities	**4,909,884.97**
	Subtotal of cash inflow from operating activities	**6,304,726,942.06**
	Cash paid for goods and services	**(5,032,565,849.34)**
	Cash Paid to and on Behalf of Employees	**(363,907,637.11)**
	Taxes paid	**(8,233,041.18)**
	Other cash paid relating to operating activities	**(696,218,309.31)**
	Subtotal of cash outflow from operating activities	**(6,100,924,836.94)**
	Net cash flow from operating activities	**203,802,105.12**
2.	**Net cash flow from investing activities**	
	Net cash returned from disposal of fixed assets	**4,127,203.25**
	Other cash received relating to investing activities	**3,814,624.54**
	Subtotal of cash inflow from investing activities	**7,941,827.79**
	Cash paid to purchase fixed assets, intangible assets, and other long-term assets	**(549,297,066.33)**
	Subtotal of cash outflow from investing activities	**(549,297,066.33)**
	Net cash flow from investing activities	**(541,355,238.54)**
3.	**Net cash flow from financing activities**	
	Cash received to introduce investments	**968,050,500.00**
	Cash received from receipt of borrowings	**1,976,172,853.04**
	Other cash received relating to financing activities	**1,466,642.95**
	Subtotal of cash inflow from financing activities	**2,945,689,993.99**
	Cash paid for repayment of liabilities	**(1,467,204,353.04)**
	Cash paid for repayment of interest	**(109,188,407.79)**
	Subtotal of cash outflow from financing activities	**(1,576,392,760.83)**
	Net cash flow from financing activities	**1,369,297,235.16**
4.	**Effect on cash due to change in foreign currency exchange rate**	
5.	**Net increase in cash and cash equivalents**	**1,031,744,101.74**
	Add: opening balance of cash and cash equivalent	**377,642,185.73**
6.	**sing balance of cash and cash equivalent**	**1,409,386,287.47**

SUPPLEMENTARY INFORMATION:

Jan-Jun 2007

Prepared by: Chongqing Iron & Steel Company Limited *Unit: RMB*

1. Reconciliation of net profit to cash flow from operating activities	
Net profit	**263,925,771.69**
Add: Provision for assets impairment	**10,986,496.41**
Depreciation of fixed assets, depreciation and depletion of oil and gas assets, and depreciation of consumable biological assets	**148,009,156.86**
Losses (gains) from disposal of fixed assets, intangible assets and other long-term assets (gain represented as "-")	**4,800,745.37**
Finance costs (gain represented as "-")	**103,908,137.25**
Decrease in inventories (increase represented as "-")	**70,203,224.85**
Decrease in receivables under operating activities (increase represented as "-")	**(449,667,965.54)**
Increase in payables under operating activities (decrease represented as "-")	**51,636,538.23**
Net cash flow from operating activities	**203,802,105.12**
2. Material investment and financing activities not relating to cash flows	**—**
3. Changes in cash and cash equivalents	
Closing balance of cash and cash equivalent	**1,409,386,287.47**
Less: opening balance of cash and cash equivalents	**(377,642,185.73)**
Net increase in cash and cash equivalents	**1,031,744,101.74**

Company's legal representative:	Financial Controller:	Person in-charge-of Accounting:
Luo Fu Qing	**Song Ying**	**Song Ying**

STATEMENT OF CHANGES IN EQUITY

Jan~Jun 2007

Prepared by: Chongqing Iron & Steel Company Limited *Unit: RMB*

	Amount of current period					
Items	Paid in capital (or share capital)	Captial reserve	Less: Treasury share	Surplus reserve	Undistributed profits	Total equity
I. Balance at the end of last year	1,383,127,200.00	546,333,036.47	—	461,926,124.01	1,600,132,641.42	3,991,519,001.90
Add: Changes of accounting policy	—	—	—	—	-15,538,581.00	-15,538,581.00
Correction to errors in previous period	—	—	—	—	—	—
II. Balance at the beginning of this year	1,383,127,200.00	546,333,036.47	—	461,926,124.01	1,584,594,060.42	3,975,980,420.90
III. Amount increase/decrease during this year (decrese represented as “-”)	350,000,000.00	618,050,500.00	—	—	90,613,051.69	1,058,663,551.69
(I) Net profit	—	—	—	—	263,925,771.69	263,925,771.69
(II) Gains and losses directly charged to owner’s equity	—	—	—	—	—	—
1. Changes in fair value of available-for-sale financial assets, net	—	—	—	—	—	—
2. Impact from the changes in other equity interest of the investee by equity method	—	—	—	—	—	—
3. Impact from income tax relating to the owner’s equity	—	—	—	—	—	—
4. Others	—	—	—	—	—	—
Subtotal of above item (I) and item (II)	—	—	—	—	263,925,771.69	263,925,771.69

(III) Sharholder's investment and reduction of capital	350,000,000.00	618,050,500.00	—	—	—	968,050,500.00
1. Capital invested by owners	350,000,000.00	618,050,500.00	—	—	—	968,050,500.00
2. Amount of share-based payment accounted for owner's equity	—	—	—	—	—	—
3. Others	—	—	—	—	—	—
(IV) Profit distribution	—	—	—	—	— 173,312,720.00	— 173,312,720.00
1. Transfer of surplus reserve	—	—	—	—	—	—
2. Distribution to owners (or shareholders)	—	—	—	—	— 173,312,720.00	— 173,312,720.00
3. Others	—	—	—	—	—	—
(V) Internal carryforward of owner's equity	—	—	—	—	—	—
1. Transfer of capital reserve fund to capital(share capital)	—	—	—	—	—	—
3. Recovery of the loss by surplus reserve	—	—	—	—	—	—
4. Others	—	—	—	—	—	—
IV. Balance at the end of the period	1,733,127,200.00	1,164,383,536.47	—	461,926,124.01	1,675,207,112.11	5,034,643,972.59

Company's legal representative:	Financial Controller:	Person in-charge-of Accounting:
Luo Fu Qing	**Song Ying**	**Song Ying**

DIFFERENCES BETWEEN THE PRC ACCOUNTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS (RMB'000)

	PRC Accounting Standards	Hong Kong Accounting Standards
Net profit	263,926	262,744
Net assets	5,034,644	4,957,259

Unit: RMB'000

Explanation to the difference	Net profits	Net assets
Financial statements prepared in accordance with PRC Accounting Standards	263,926	5,034,644
Adjustment under Hong Kong Accounting Standards		
Reversal of income tax expenses creditunder Hong Kong Financial Reporting Standards ("HKFRS") for purchase of domestic manufactured equipment to the income tax expensesunder PRC AccountingStandards	—	(77,305)
Effect of other adjustment	(1,182)	(80)
Financial statements prepared in accordance with Hong Kong Accounting Standards	262,744	4,957,259