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)

SUMMARY OF ANNUAL REPORT 2007

This announcement is made pursuant to Rule 13.09 and Appendix 16(45) of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

1 IMPORTANT NOTICE

1.1 The board of directors, the Supervisory Committee, and directors, supervisors and senior management of Chongqing Iron & Steel Company Limited (the "Company") warrant that there are no false representations, misleading statements contained in or material omissions from this announcement and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the contents of this report.

1.2 This summary is extracted from the 2007 Annual Report of the Company, the full text of which is published on websites of the Shanghai Stock Exchange (www.sse.com.cn). Investors are advised to read the full text of the 2007 Annual Report for detailed information.

1.3 All directors of the Company attended the 10th Meeting of the fourth session Board convened on 23rd April 2008.

1.4 In respective of the financial statements for the year ended 31 December 2007 (the "reporting period" or the "year"), KPMG Huazhen and KPMG respectively audited the financial statements of the Company prepared under the accounting standards of the China Accounting Standards for Business Enterprises ("PRC GAAP") and Hong Kong Financial Reporting Standards ("HKFRS") respectively, in accordance with the PRC auditing standards and Hong Kong Standards on Auditing and issued unqualified auditors' reports respectively..

1.5 The Audit Committee of the Company has reviewed and confirmed the Company's 2007 financial report.

1.6 Mr. Luo Fu Qin, Chairman of the Company and 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 Annual Report.

1.7 Unless otherwise specified, all financial data contained in this summary are prepared under PRC GAAP.

2 BASIC INFORMATION OF THE COMPANY

2.1 Basic information

Abbreviated name of shares	重慶鋼鐵	Chongqing Iron
Stock code	601005	1053
Place for listing of the shares	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Registered address and office address:	No. 30, Gangtie Road, Dadukou District, Chongqing, the PRC.	
Postal code	400084	
Website	http://www.cqgt.cn	
Email address	dms@cqgt.cn	

2.2 Contact person and method

	Secretary to the board of directors	Securities representative
Name	You Xiao An	Peng Guoju
Correspondence address	No. 30, Gangtie Road, Dadukou District, Chongqing, the PRC.	No. 30, Gangtie Road, Dadukou District, Chongqing, the PRC.
Telephone	86-23-68845030	86-23-68842582
Fax	86-23-68849520	86-23-68849520
Email	yxa@email.cqgt.cn	clarapeng@email.cqgt.cn

3 SUMMARY OF FINANCIAL AND OPERATIONAL FIGURES

3.1 Prepared in accordance with PRC GAAP

1. Major financial data

Unit: Rmb'000

Items	**2007**	2006 After adjustment	2006 Before adjustment	Increase or decrease from last year *(%)* After adjustment	2005 After adjustment	2005 Before adjustment
Operating revenue	**12,058,453**	9,671,561	9,662,561	24.68	8,879,664	8,879,664
Profit before tax	**470,234**	307,855	315,930	52.75	284,776	292,239
Income Tax	**20,990**	1,093	1,093	1,820.40	32,663	32,663
Net profits attributable to the Company's shareholders	**449,244**	306,762	314,837	46.45	252,113	259,576
Net profits after non-recurring items attributable to the Company's shareholders	**470,119**	309,130	316,122	52.08	239,225	246,688
Net cash flow from operating activities	**479,983**	854,231	854,231	-43.81	225,295	225,295

	At the end of 2007	At the end of 2006 After adjustment	At the end of 2006 Before adjustment	Increase or decrease from last year *(%)* After adjustment	At the end of 2005 After adjustment	At the end of 2005 Before adjustment
Total assets	**10,958,601**	8,841,433	8,841,433	23.95	8,106,524	8,106,524
Total liabilities	**5,738,640**	4,865,454	4,849,916	17.95	4,185,825	4,178,362
Shareholders' equity	**5,219,961**	3,975,979	3,991,517	31.29	3,920,699	3,928,162

2. Major Financial Indicators

Unit: Rmb

Items	**2007**	2006 After adjustment	2006 Before adjustment	Increase or decrease from last year *(%)* After adjustment	2005 After adjustment	2005 Before adjustment
Basic earnings per share	**0.27**	0.22	0.23	22.73	0.18	0.19
Diluted earnings per share	**0.27**	0.22	0.23	22.73	0.18	0.19
Basic earnings per share after non-recurring items	**0.28**	0.22	0.23	27.27	0.17	0.18
Return on net asset (fully diluted) (%)	**8.61**	7.72	7.89	11.53	6.43	6.61
Return on net asset (weighted average) (%)	**9.13**	7.78	7.91	17.35	6.51	6.69
Return on net asset after non-recurring items (fully diluted) (%)	**9.01**	7.77	7.92	15.96	6.10	6.28
Return on net asset after non-recurring items (weighted average) (%)	**9.55**	7.84	7.94	21.81	6.17	6.37
Net cash flow per share from operating activities	**0.29**	0.62	0.62	-53.23	0.16	0.16

	At the end of 2007	At the end of 2006 After adjustment	At the end of 2006 Before adjustment	Increase or decrease from last year *(%)* After adjustment	At the end of 2005 After adjustment	At the end of 2005 Before adjustment
Net assets per share attributable to the Company's shareholders	3.12	2.87	2.89	8.71	2.83	2.84

3.2 Prepared under HKFRS

Unit: Rmb'000

Items	**2007**	2006 (Restated)	2005 (Restated)	2004	2003
Turnover	**12,021,195**	9,621,897	8,856,126	8,551,923	5,609,309
Profit before tax	**469,670**	303,578	273,620	872,156	967,781
Income tax	**20,990**	1,093	32,663	28,433	-9,258
Net profit from ongoing operations attributable to shareholders	**448,680**	302,485	240,957	843,723	977,039
Fully diluted earnings per share (RMB)	**0.26**	0.22	0.17	0.61	0.71
Weighted average earnings per share (RMB)	**0.27**	0.22	0.17	0.61	0.71
Net cash flow per share from operating activities (RMB)	**0.16**	0.49	0.07	0.37	0.88
Return on net asset (fully diluted) (%)	**8.63**	7.64	6.14	21.95	30.40
Return on net asset (weighted average) (%)	**9.15**	7.67	6.20	24.03	35.41

Items	**At the end of 2007**	At the end of 2006 (Restated)	At the end of 2005 (Restated)	At the end of 2004	At the end of 2003
Total assets	**10,958,600**	8,864,407	8,132,279	7,200,834	5,911,665
Total liabilities	**5,756,861**	4,906,086	4,206,201	3,356,121	2,697,886
Shareholders' equity	**5,201,739**	3,958,321	3,926,078	3,844,713	3,213,779
Net asset per share (RMB)	**3.11**	2.86	2.84	2.78	2.32

3.3 Non-recurring profit and loss items

Unit: Rmb'000

Non-recurring profit and loss items	**Amount**
Loss from disposal of fixed assets and construction under progress	-22,235
Government subsidies	3,219
Others	-4,734
Less: relevant income tax	-2,875
Total	-20,875

3.4 Difference between PRC GAAP and HKFRS

Unit: Rmb'000

	PRC GAAP Standards	HKFRS
Net profit	449,244	448,680
Net assets	5,219,961	5,201,739

Explanation to the difference: In accordance with HKFRS, a government grant related to an asset shall be recognized as deferred income, and evenly credited to profit or loss over the useful life of the related asset. According to the PRC Accounting standards, prior to 1 January 2007, the grant was recognized in capital reserve when the conditions of the grant were met. Now the grant is recognized in deferred income, and evenly credited to profit or loss over the useful life of the related assets.

4 MOVEMENT OF SHARE CAPITAL AND THE PARTICULARS OF SHAREHOLDERS

4.1 Changes in Share Capital

Changes in Share Capital as at 31st December 2007

Unit: share

	Before change		Increase/decrease (+,–)					After change	
	Number	Percentage (%)	Issue of new share	Bonus share	Conversion from reserve	Others	Sub-total	Number	Percentage (%)
I. Shares subject to trading moratorium	845,000,000	61.09	—	—	—	—	—	845,000,000	48.76
1. State owned shares	—	—	—	—	—	—	—	—	—
2. State owned legal person shares	845,000,000	61.09	—	—	—	—	—	845,000,000	48.76
3. Other domestic shares	—	—	—	—	—	—	—	—	—
Including:									
Domestic non-State owned legal person shares	—	—	—	—	—	—	—	—	—
Domestic natural person shares	—	—	—	—	—	—	—	—	—

4. Foreign shares	—	—	—	—	—	—	—	—	—
Including:									
Overseas legal person shares	—	—	—	—	—	—	—	—	—
Overseas natural person shares	—	—	—	—	—	—	—	—	—
II. Shares not subject to trading moratorium	538,127,200	38.91	350,000,000	—	—	—	350,000,000	888,127,200	51.24
1. Renminbi ordinary shares	—	—	350,000,000	—	—	—	350,000,000	350,000,000	20.19
2. Foreign shares listed domestically	—	—	—	—	—	—	—	—	—
3. Foreign shares listed overseas	538,127,200	38.91	—	—	—	—	—	538,127,200	31.05
4. Others	—	—	—	—	—	—	—	—	—
III. Total shares	1,383,127,200	100	350,000,000	—	—	—	350,000,000	1,733,127,200	100

Note: The Company has issued 350,000,000 ordinary A shares this year, of which 70,000,000 shares are subjected to trading moratorium. The trading moratorium has been released on 29 May 2007.

Changes of Shares Subject to Trading Moratorium

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium over the year	Increase in number of shares subject to trading moratorium	Number of shares subject to trading moratorium at the end of the year	Reasons of trading moratorium	Date of release of trading moratorium
Chongqing Iron & Steel (Group) Company Limited	—	—	845,000,000	845,000,000	The Controlling shareholder 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.	29th February 2010
Shareholders of A shares offered under off-line allotment	—	70,000,000	70,000,000	—	A shares offered under off-line allotment are locked 3 months from the listing date	29th May 2007
Total	—	70,000,000	915,000,000	845,000,000	—	—

4.2 Shareholdings of the top ten shareholders and shareholdings of top ten holders of circulating shares not subject to trading moratorium

Shareholdings of the Top Ten Shareholders at the End of Reporting Period

Unit: share

Name of shareholder	Type of shareholder	Percentage to total share capital *(%)*	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	23,460,000 shares frozen
HKSCC NOMINEES LIMITED	Foreign shareholder	30.74%	532,763,070	0	Unknown
Shenzhen Lisha Co., Ltd.	Holders of domestic non-State owned legal person shares	0.13%	2,199,214	0	Unknown
BOC-Jiashi Shanghai Shenzhen 300 Index Securities Investment Fund	Holders of domestic non-State owned legal person shares	0.11%	1,946,150	0	Unknown
Wang Shiming	Domestic natural person shareholder	0.10%	1,719,120	0	Unknown
Shenzhen Shan Kai Yuan Trade Co., Ltd.	Holders of domestic non-State owned legal person shares	0.06%	1,122,000	0	Unknown
Shanghai Wangshi Industrial Co., Ltd.	Holders of domestic non-State owned legal person shares	0.06%	1,021,100	0	Unknown
Fortune Trust Co. Ltd	Holders of domestic non-State owned legal person shares	0.05%	879,412	0	Unknown
CNGC North Industries Group Finance Company Ltd.	Holders of domestic non-State owned legal person shares	0.05%	879,412	0	Unknown
China Foreign Economy and TradeTrust & Investment Co., Ltd.	Holders of domestic non-State owned legal person shares	0.05%	870,000	0	Unknown

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 (the "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, 23,460,000 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 not less than 5% shares in the Company were pledged, frozen or in custody.

Note 3: The 532,763,070 shares held by HKSCC Nominees Limited are shares held on behalf of its customers.

Shareholdings of the Top Ten Holders of Circulating 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	532,763,070	Overseas listed foreign shares
Shenzhen Lisha Co., Ltd.	2,199,214	Renminbi dominated ordinary shares
BOC-Jiashi Shanghai Shenzhen 300 Index Securities Investment Fund	1,946,150	Renminbi dominated ordinary shares
Wang Shiming	1,719,120	Renminbi dominated ordinary shares
Shenzhen Shan Kai Yuan Trade Co., Ltd.	1,122,000	Renminbi dominated ordinary shares
Shanghai Wangshi Industrial Co., Ltd.	1,021,100	Renminbi dominated ordinary shares
Fortune Trust Co. Ltd	879,412	Renminbi dominated ordinary shares
CNGC North Industries Group Finance Company Ltd.	879,412	Renminbi dominated ordinary shares
China Foreign Economy and Trade Trust & Investment Co., Ltd.	870,000	Renminbi dominated ordinary shares
Zheshang Securities Co., Ltd.	721,412	Renminbi dominated ordinary shares

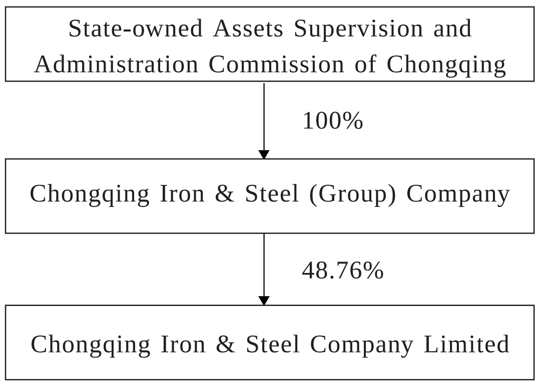
Note: The Company is not aware of any connected relationship among the top ten holders of circulating shares or any party acting in concert.

4.3 Controlling shareholder and beneficial controller

4.3.1 Detail Information of controlling shareholder and beneficial controller

Chongqing Iron & Steel Company (Group) Limited (the "Holding Company"), the controlling shareholders of the Company, held 845,000,000 shares of the Company, representing 48.76% of total share capital of the Company. Established on 22nd June 1995, the Holding Company is a state-owned company with State-owned Assets Supervision and Administration Commission of Chongqing being its sole shareholder. Its legal representative is Dong Lin with a registered capital of Rmb1,579,044,000 and registered address at No.1, Building No.1, Dayan Village III, Dadukou District, Chongqing, the PRC. Its principal business and products include: Assets operation, investment and property right trading within the entrusted authority. manufacture and sale of metal materials, machinery products, casting and forging products and general spare parts, home appliances, computer and parts, electronic devices and components, instruments and meters, measuring instruments, textile products, apparels, timer products, refractory materials, chemical products(excluding dangerous chemicals), contracting and exporting overseas projects and domestic tendering projects related to self produced complete equipments; dispatching labours abroad for such overseas projects, production technology as well as labours engaged in maintenance and after-sale services.

4.3.2 Framework of equity interest and controlling relationship between the Company and beneficial controller



5 Directors, Supervisors, Senior Management and Staff

5.1 Changes in Shareholdings of Directors, Supervisors, and Senior Management and their Remuneration

Unit: Rmb Ten Thousand

Name	Title	Sex	Age	Tenure	Shareholding at the beginning of the year	Shareholding at the end of the year	Total remuneration received from the Company during the reporting period	Whether receive remuneration from shareholder or other connected parties
Luo Fu Qin	Chairman	M	59	9th June 2006~ 8th June 2009	0	0	25	Yes
Yuan Jin Fu	Director	M	45	9th June 2006~ 8th June 2009	0	0	23	Yes
Chen Shan	Director, General Manager	M	54	9th June 2006~ 8th June 2009	0	0	24	No
Sun Yi Jie	Director, Deputy General Manager, Chief Engineer	M	52	9th June 2006~ 8th June 2009	0	0	23	No
Tu De Ling	Director, Chief Accountant	M	45	9th June 2006~ 26th June 2007	0	0	12	No
Chen Hong	Director, Deputy General Manager	M	51	20th September 2006~ 19th September 2009	0	0	20	No
Wang Xiang Fei	Independent director	M	56	9th June 2006~ 8th June 2009	0	0	6	No
Sun Yu	Independent director	M	45	9th June 2006~ 8th June 2009	0	0	4	No
Liu Xing	Independent director	M	51	9th June 2006~ 8th June 2009	0	0	4	No
Zhu Jian Pai	Chairman of the Supervisory Committee	M	50	9th June 2006~ 8th June 2009	0	0	25	Yes
Huang You He	Supervisor	M	55	9th June 2006~ 8th June 2009	0	0	15	Yes
Gong Jun	Supervisor	F	35	23rd August 2007~ 22nd August 2010	0	0	4	Yes
Yuan Xue Bing	Supervisor	F	53	9th June 2006~ 26th June 2007	0	0	6	Yes
Chen Hong	Supervisor	F	43	9th June 2006~ 8th June 2009	0	0	13	No
Lu Kang Mei	Supervisor	F	54	9th June 2006~ 26th June 2007	0	0	8	No
Xu Gang	Deputy General Manager	M	47	From 8th January 2004 to the present	0	0	23	No

Wu Zi Sheng	Deputy General Manager	M	43	From 8th January 2004 to the present	0	0	23	No
Li Ren Sheng	Deputy General Manager	M	43	From 12th May 2006 to the present	0	0	20	No
Song Ying	Financial Conroller	F	40	From 29th June 2007 to the present	0	0	9	No
You Xiao An	Secretary to the Board	M	43	From 23rd January 2001 to the present	0	0	16	No

During the reporting period, Directors, Supervisors, Senior Management of the Company did not hold or trade shares of the Company.

5.2 Staff

As at the end of 2007, the Company had 11,741 staff, including 9,785 production staff, 191 sales staff, 821 technical and engineering staff, 101 finance staff, and 843 administrative staff. The staff with bachelor or above degrees accounted for 8.28% of the total staff. The Company has been emphasizing on the training to the staff for update of knowledge. In 2007, 11,903 persons received training, and the training plan was fulfilled at the percentage of 101.38%.

The remuneration of the staff includes wage, bonus, and other benefits scheme. In accordance with relevant PRC laws and regulations, the Company implemented different remuneration standards for different employees based on their performance, qualification and experience, and position.

6 REPORT OF THE BOARD OF DIRECTORS

6.1 Review on the Company's operation during the Reporting Period

6.1.1 Overall operation status of the Company during the Reporting Period

In 2007, the national economy experienced rapid growth, domestic and overseas markets saw a brisk demand of steel. Steel exports increased significantly while steel market price continuously went up. The supply and demand of steel were basically balanced. Domestic resource, energy and environment restricted the further development of steel industry. Due to constantly increased prices of raw materials such as iron ore, coal, pig iron, scrap steel, the profit margin of steel enterprises shrank to some extent.

During the Reporting Period, the Company overcame the impact from raised raw materials prices and shortage of supply, coordinating production and marketing, pushing forward meticulous management for enterprise. The Company produced 1,370,100 tonnes of coke, 2,950,700 tonnes of pig iron, 3,350,600 tonnes of steel and 3,117,600 tonnes of steel products (billets), increased by 0.70%, 9.01%, 10.20% and 9.93% respectively as compared to the previous year. The production volume of coke was reduced due to the increased coal powder injection in blast furnace. However, pig iron, steel and steel products all had reached their production targets. Under the PRC GAAP, in 2007, the Company's operating revenue and net profit amounted to RMB12,058,453,000 and RMB449,244,000 respectively, up 24.68% and 46.45% respectively from the previous year. Under HKFRS, in 2007, the Company's turnover and profit attributable to shareholders amounted to RMB12,021,195,000 and RMB448,680,000 respectively, up 24.94% and 48.33% respectively from the previous year.

During the Reporting Period, the Company adjusted product mix and promoted the sales of steels with larger margins. Due to limited production volume of medium-gauge steel plates, the Company decreased the sales of ordinary steel plates and low alloy steel plates. As a result, the sales proportion of ordinary steel plates and low alloy steel plates in medium-gauge steel plates decreased to 15.28% from 26.52% in the last year, while the sales volume of ship plates and vessel plates increased by 13.18% and 19.93% respectively as compared to previous year. Except for medium-gauge steel plates, the sales volume of bulb flat steel and high carbon wire rod increased by 37.33% and 28% respectively as compared to previous year.

During the Reporting Period, the Company enhanced development of new products and pilot production of specialised products. Through market survey, the company grasped the market demand and carried out development of new category steel products, In 2007, the Company successfully completed development of 6 new category steels including PC steel bar 30MnSi bearing steel coil, 18# I-beam steel, DR(CGP) hot-rolled super high phosphorous silicon steel, CGQ550D high strength low alloy steel plate, A32 (quixin) 40# flat-bulb steel and SA387MGr.11-CL2 pressure vessel steel. In order to meet the special requirement of customers, the Company produced 669,500 tons of specialized products in 2007.

During the Reporting Period, the Company made a breakthrough in financing , providing capital for implementation of technological renovations. The Company successfully issued 350,000,000 A shares on 6th February 2007 and listed them on Shanghai Stock Exchange on 28th February 2007 with net proceeds amounting to RMB968,000,000. In addition, the Company actively cooperated with banks and acquired syndicate loan facilities of USD60,000,000 and RMB500,000,000 from 12 foreign banks leaded by HSBC and Bank of Communications Chongqing branch in September 2007.

During the Reporting Period, the Company earnestly implemented the Comprehensive Working Scheme on Energy Saving and Emission Reduction issued by the State Council and completed the preparation of Energy Audit Report and Energy Saving Plan, to actively push forward energy saving and emission reduction. By taking measures such as adjusting production structure and applying advanced energy saving technologies, the Company renovated old technology and obsolete equipment. As a result, aggregate energy consumption rate per tonne and comparable energy consumption rate per tonne decreased by 4.14% and 2.74% as compared to previous year respectively. In addition, the Company actively promoted recycling and reuse of residual energy and heat. In 2007, self-production electricity amounted to 534,000,000 KWh, representing a year-on-year increase of 76.83%.

6.1.2 Analysis on principle operations and operating status during the Reporting Period

(1) Analysis on revenue from principal operations

In 2007, the Company was under the impact of rising raw materials prices including iron ore, coal, pig iron and scrap steel. Yet the Company attained increase in both production and sales volume as well as operating results through various measures such as marketing and raising production, structural adjustment, and consumption and cost reduction. As at 31 December 2007, the revenue from principal operations of the Company under the PRC accounting standards were RMB12,021,195,000, up 24.94% over 2006. Net profit was RMB449,244,000, representing a year-on-year rise of 46.45%.

Principal operation of the Company during the reporting period

For the year 2007, the Company's revenue from principal operations amounted to RMB12,021,195,000, of which south-western region and other regions accounted for RMB6,722,832,000 and RMB5,298,363,000 representing a rise of 20.41% and 31.20% respectively over last year.

Region	**Revenue from principal operations** *(RMB'000)*	**Increase/decrease in revenue from principal operations over last year** *(%)*
South-western region	6,722,832	20.41
Other regions	5,298,363	31.20
Total	12,021,195	24.94

For the year 2007, the Company's revenue from principal operations amounted to RMB12,021,195,000, of which RMB11,460,557,000 was derived from sales of steel products, representing 95.34% of the total revenue, up 27.14% over last year, and RMB560,638,000 was derived from sales of non-steel products, such as water granulated slag, coking by-products, cutting steel leftover and water, electricity and steam, which accounted for 4.66% of the total revenue, down 7.80% from last year.

	2007		2006		
Product	**Amount** ***(RMB'000)***	**Percentage** ***(%)***	Amount *(RMB'000)*	Percentage *(%)*	Year-on-year increase *(%)*
Steel plates	**5,069,516**	**42.17**	4,205,946	43.71	20.53
Steel billets	**1,411,190**	**11.74**	889,964	9.25	58.57
Steel sections	**3,039,558**	**25.28**	2,400,326	24.95	26.63
Wire rods	**1,594,629**	**13.27**	1,245,013	12.94	28.08
Cold rolled plates	**345,664**	**2.88**	272,595	2.83	26.80
Subtotal	**11,460,557**	**95.34**	9,013,844	93.68	27.14
Others	**560,638**	**4.66**	608,053	6.32	-7.80
Total	**12,021,195**	**100.00**	9,621,897	100.00	24.94

In 2007, the sales revenue of the Company's steel products (billets) increased by RMB2,446,713,000 as compared with last year, which was attributable to an increase in production and sales volume and the selling prices. During the year, the Company sold 3,141,300 tonnes of steel products (billets), representing an increase of 257,700 tonnes over last year which increased sales revenue by RMB703,540,000. Meanwhile, the average selling prices of steel products (including cold rolled plates) was RMB3,827 per tonne, representing a rise of 14.68% from last year which increased sales revenue by RMB1,743,173,000.

Sales volume by products

Product	**2007**	2006	Year-on-year increase	Contribution to revneue
	(0'000 tonnes)	*(0'000 tonnes)*	*(%)*	*(RMB'000)*
Steel plates	**115.46**	119.53	-3.41	-143,213
Steel sections	**93.99**	85.71	9.66	232,006
Wire rods	**50.51**	44.05	14.67	182,583
Steel billets	**45.92**	31.89	43.99	391,540
Subtotal	**305.88**	281.18	8.78	662,916
Cold rolled plates	**8.25**	7.18	14.90	40,623
Total	**314.13**	288.36	8.94	703,540

Sales price by products

Product	**2007**	2006	Year-on-year increase	Contribution to revenue
	(RMB/ tonnes)	*(RMB/ tonnes)*	*(%)*	*(RMB'000)*
Steel plates	**4,391**	3,519	24.78	1,006,783
Steel sections	**3,234**	2,801	15.46	407,226
Wire rods	**3,157**	2,826	11.71	167,033
Steel billets	**3,073**	2,791	10.10	129,686
Subtotal	**3,634**	3,109	16.89	1,710,728
Cool rolled thin sheets	**4,190**	3,797	10.35	32,446
Total	**3,827**	3,337	14.68	1,743,173

(2) Operating results of the Company during the reporting period

The net profit of the Company amounted to RMB449,244,000 for the year 2007, representing an increase 46.45% from RMB306,762,000 in 2006.

Item	**2007 Amount**	2006 Amount	Year-on-year increase
	(RMB'000)	*(RMB'000)*	*(%)*
Operating revenue	**12,058,453**	9,671,561	24.68
Operating cost	**(10,418,035)**	(8,787,569)	18.55
Business tax and surcharges	**(372)**	(350)	6.29
Total expenses	**(1,115,500)**	(579,952)	92.34
Assets impairment loss	**(30,562)**	7,389	(513.61)
Operating profit	**493,984**	311,079	58.80
Total profit	**470,234**	307,855	52.75
Income tax expenses	**(20,990)**	(1,093)	1,820.40
Net profit	**449,244**	306,762	46.45

1 Gross profit from principal operations amounted to RMB1,632,757,000, up RMB758,673,000 over 2006 which was mainly attributable to rising prices of steel products and the classification of maintenance expenses as management fees which was originally accounted as operating costs under the PRC Accounting Standards.

By industry	Revenue from principal operations	Cost of principal operations	Gross profit ratio	Increase/ decrease in revenue from principal operations over last year	Increase/ decrease in cost of principal operations over last year	Up/ down in gross profit ratio over last year
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(%)*
Iron & Steel industry	11,460,557	9,928,792	13.37	27.14	20.68	4.64
Steel plates	5,069,516	3,694,805	27.12	20.53	7.05	9.18
Steel sections	3,039,558	2,933,293	3.50	26.63	23.19	2.70
Wire rods	1,594,629	1,537,195	3.60	28.08	26.68	1.07
Steel billets	1,411,190	1,374,870	2.57	58.57	57.93	0.39
Cool rolled thin sheets	345,664	388,629	(12.43)	26.80	25.06	1.57
Others	560,638	459,646	18.01	(7.80)	(11.70)	3.62
Total	12,021,195	10,388,438	13.58	24.94	18.75	4.50

During the year 2007, the average selling prices of steel products (billets) was RMB3,827 per tonne, representing a rise of 14.68% from last year which increased profit by RMB1,743,173,000. The rising raw materials prices including ore, coal and scrap steel decreased the growth in the profit of the Company.

2 According to relevant requirements of accounting standards, assets impairment loss of the Company in 2007 was RMB30,562,000, up RMB37,951,000 as compared to last year.

3 The administrative expenses of the Company in 2007 amounted to RMB665,132,000, increased by RMB461,213,000 over last year, which was mainly attributable to 1) repair expenses, originally booked in production cost, of RMB404,139,000 was consolidated in administrative expenses under relevant requirements of new accounting standards; 2) salaries and surcharges increased by RMB37,240,000 over last year; 3) provisions for diminution in value of inventories and bad debts booked in administrative expenses last year offset the expenses by RMB7,389,000 (such expenses were booked in assets impairment loss in accordance with new accounting standards in 2007); and 4) depreciation consolidated in administrative expenses increased by RMB6,305,000 over 2006.

4 Selling expenses of the Company for the year 2007 amounted to RMB243,611,000, representing an increase of RMB47,826,000 as compared with last year, which was mainly attributable to the increase sales volume and in transportation charges by RMB27,519,000 and shipbuilding inspection expenses by RMB20,419,000 over 2006.

5 Financial costs of the Company in 2007 amounted to RMB206,757,000, increased by RMB26,509,000 over last year, which was mainly attributable to the increase in short and long term bank loans and a rise in interest rate, resulting in an increase in interest expenses.

6 The income tax rate of the Company was 15% for the year 2007. The income tax payable was RMB78,668,000 by deducting the income tax exemption for domestically produced equipment from the accrued income tax of RMB25,381,000, up RMB23,843,000 over last year.

Cash flow of the Company during the reporting period

During the year 2007, with the increase in sales volume, net cash revenue from operating activities of the Company amounted to RMB479,983,000, together with the net cash flow of RMB1,152,544,000 derived from the issue of A shares, net cash equivalents of the Company for the current period increased by RMB657,310,000 after deducting net cash expenditure of RMB975,217,000 on the fund-raising project and investment projects arising from energy saving and consumption reduction and improvement in asset functions.

Liquidity, Financial Resources and Share Capital Structure of the Company

As at 31 December 2007, balances of cash at bank and in hand of the Company were RMB1,093,879,000; balances of short-term loans amounted to RMB1,720,600,000 which were mainly used for supplementing capital demand for daily production; long-term loans of the Company (excluding current portion of long-term loans) amounted to RMB1,188,747,000 which were mainly used for wide-thick steel plate project and supplementing relevant capital demand. The Company analyses the structure and maturity for liabilities on a regular basis to ensure the abundance of capital. On the other hand, the Company conducted negotiations for finance with financial institutions to maintain certain credit facilities so as to lower the liquidity risk.

As at 31 December 2007, the share capital structure of the Company was as follows:

Unit: RMB'000

Item	**Amount**	**Item**	**Amount**
Current assets	5,469,575	Current liabilities	4,437,609
Non-current assets	5,489,026	Non-current liabilities	1,301,031
Total assets	10,958,601	Shareholders' equity	5,219,961

As at 31 December 2007, the total assets of the Company amounted to RMB10,958,601,000, representing a year-on-year increase of 23.95%, and the total liabilities amounted to RMB5,738,640,000. The gearing ratio was 52.37%. Current assets amounted to RMB5,469,575,000, current liabilities amounted to RMB4,437,609,000 and current assets/current liabilities ratio was 1.23.

Note: Gearing ratio = total liabilities/ total assets x 100%

Current assets/current liabilities ratio = current assets/current liabilities x 100%

Pledge of Assets

The net carrying value of the buildings and plant and equipment pledged by the Company for bank loans as at 31 December 2007 amounted to RMB923,287,000. Meanwhile, part of the land use right of the parent company was pledged.

Capital Commitments and Contingent Lliability

As at 31 December 2007, capital commitments of the Company amounted to RMB 2,970,410,000, which was mainly attributable to the construction and equipment contracts entered into for the hot-rolling plate-strip project and wide-thick steel plate project which had not been settled or fully-settled.

Foreign Exchange Risk

Given that the sales of products and purchase of raw materials for production of the Company were mainly denominated in Renminbi, the Company did not have any significant foreign currency risk in respect of transactions.

(3) Major suppliers and customers

Percentage in total procurement for major suppliers of the Company:

Percentage in total procurement for the largest supplier of the Company: 9.61%

Percentage in total procurement for the top five suppliers of the Company: 35.04%

Percentage in total sales for major customers of the Company:

Percentage in total sales for the largest customer of the Company: 5.06%

Percentage in total sales for the top five customers of the Company: 18%

Save for two fellow subsidiaries in the top five suppliers and one fellow subsidiary in the top five customers of the Company, none of directors, supervisors or their respective associates or any shareholders (which to the knowledge of the directors has 5% or more of equity interest in the Company) of the Company was beneficially interested in the top five suppliers or the top five customers of the Company.

6.1.3 Analysis on financial position

(1) Items of balance sheet

Unit: RMB'000

Item	**At the end of 2007**	At the end of 2006	Increase or decrease *(%)*	Percentage of assets and liabilities in total assets for the year *(%)*
Cash at bank and in hand	**1,093,879**	377,642	189.66	9.98
Prepayment	**1,053,169**	147,156	615.68	9.61
Inventories	**2,660,245**	2,146,968	23.91	24.28
Fixed assets	**5,249,670**	4,767,865	10.11	47.9
Construction in progress	**124,830**	671,926	(81.42)	1.14
Construction material	**22,777**	108,218	(78.95)	0.21
Intangible assets	**25,820**	10,215	152.77	0.24
Short-term loan	**1,720,600**	1,826,653	(5.81)	15.7
Taxes payable	**62,951**	32,176	95.65	0.57
Long-term loan	**1,188,747**	295,000	302.97	10.85
Share capital	**1,733,127**	1,383,127	25.3	15.82
Capital reserve	**1,164,384**	546,333	113.13	10.63

Explanations:

1 The increase of cash at bank and in hand was mainly attributable to the increase of cash receipts from increased sales revenue of the Company. Secondly, the Company issued A shares in February 2007 which led to additional cash at bank and in hand. Thirdly, investment of hot rolling plate-strip project and wide-thick steel plate project resulted in an increase of loans granted by respective financial institutions.

2 The increment in prepayment was mainly attributable to the shortage in raw material market, pushing the raw material price upward. More and more suppliers request prepayment. Secondly, the hot rolling plate-strip project and wide-thick steel plate project recorded prepayment for construction equipment amounting to RMB255,553,000 and RMB231,783,000. Thirdly, the prepayment for the land usage fees of RMB300,000,000 in respect of hot rolling plate-strip project and wide-thick steel plate project to Chongqing Yan Jia Industrial Park Construction and Development Company Limited.

3 The increase of fixed assets as well as the decrease of the construction in progress and construction materials were mainly due to the completion of the technological renovation construction in 2007 which commenced construction in and before 2006 and being transferred to fixed assets in 2007. In 2007, the number of new construction projects reduced, leading to the increase of the balance of fixed assets at the end of the period whereas the outstanding amount of construction in progress and construction materials decreased.

4 The increase of intangible assets was mainly attributable to the reclassification of the land of the Company's cold roll plants at cost of RMB17,585,000 from fixed assets to intangible assets.

5 The increase of taxes payable in 2007 was mainly attributable to the income tax payable of RMB78,668,000 based on the profit for the year and the applicable income tax rate of 15%. After taking into account the deduction of income tax for purchase of domestic manufactured equipment, the actual tax payable was RMB25,381,000, representing an increase of RMB23,843,000 over last year.

6 Decrease of short-term loan and the increase of long-term loan was mainly due to the adjustment of the loan structure by the Company which mitigated the pressure of repaying short-term liabilities and raising funds for the projects of wide-thick steel plates and energy-saving and consumption reduction related project.

7 The increase of share capital and capital reserve was mainly attributable to the additional share capital of RMB350,000,000 and capital reserve of RMB618,051,000 as a result of the A share listing of the Company in February 2007.

(2) Items of income statement (please see 6.1 "Review on the Company's operation during the Reporting Period" for the operating results of the Company during the Reporting Period.)

(3) Items of cash flow statement

Unit: RMB'000

Items	**2007**	2006	Major reasons of changes
Net cash flow from operating activities	479,983	854,231	Due to substantial increase of the price of raw materials, the fund paying for purchase increased significantly
Net cash flow from investing activities	(975,217)	(604,287)	Net cash outflows from raising proceeds and investment project as a result of saving energy and material consumption and improving asset function increased over last year.
Net cash flow from financing activities	1,152,544	(387,392)	Fund and borrowings arising from the issue of A share and acquisition increased.
Net increase/(decrease) of cash and cash equivalents	657,310	(137,448)	Net increase of cash and cash equivalents was mainly due to the increase of net cash flow arising from fund raising activities.

6.2 Prospect

Looking into 2008, giving priority to "two-prevention" in macroeconomic control, the China government will continue to enhance and improve macroeconomic control by implementing prudent financial policy and tight monetary policy. China will maintain last year's fast economic growth momentum and domestic steel market demand will remain flourishing. Since macroeconomic control further enhanced restriction on steel products export and steel price gap between domestic and international market narrowed, steel products delivery will shift to domestic market. Domestic steel market will face increasing pressure on environment protection and resource supply, surplus of production capacity over the demand as well as significant rise in cost. Boosted by rising cost, steel price will maintain at a high level. Therefore, product cost control will become a main factor which influences the profitability of enterprises.

In 2008, increased price of raw materials such as iron ore, scrap steel, pig iron and iron alloy and short supply of resources including coal, electricity and natural gas, will bring greater pressure for the company in respect of cost control and guarantee of normal production and supply, thus shrinking profit margin of the Company. In 2008, the Company will focus on the following: (1) To enhance raw materials procurement, reasonably allocate resources and provide condition for smooth production; (2) To strengthen equipment management and improve stable operation rate of equipment, so as to provide guarantee for enlarging production capacity; (3) To enhance coordination between production and marketing, optimize production organization management and improve the sale percentage of profitable products; (4) To take initiatives in development of key technologies and keep on developing new products, in order to improve product competitiveness; (5) To develop recycling economy and push forward energy saving and emission reduction.

Main targets of the Company's production and operations in 2008 are as follows:

(1) To achieve output of 2,960,000 tonnes, 3,400,000 tonnes, 3,250,000 tonnes for pig iron, steel and steel products (billets) respectively;

(2) To sell 3,250,000 tonnes of steel products (billets) in 2008, with a collection rate of accounts receivable amounting to 100%;

(3) To develop more than 3 new products, with aggregate volume of complete new R&D products and new products amounting to 55,000 tonnes.

6.3 Use of raised proceeds

Use of proceeds by the Company in 2007

Unit: RMB

Total proceeds raised	1,008,000,000	Total use of raised proceeds for the year (including fees in relation to underwriting, issuance and other fees)	898,079,783
		Accumulated total use of raised proceeds (including fees in relation to underwriting, issuance and other fees)	898,079,783

Items	Change of project	Amount to be invested	Actual amount of investment (excluding fees in relation to underwriting, issuance and other fees)	In line with schedule	Estimated earnings	Return incurred
Technological renovation project of plate-strip project	No	2,038,110,000	880,966,592	Yes	Upon full commencement of production, the first two years recorded an earnings of 138,920,000. After commencement of production, earnings after 3 to 5 years will be RMB205,490,000.	N/A
Total		2,038,110,000	880,966,592	—	—	—

Reason for the failure in keeping in line with the schedule and estimated return (by specific item)	N/A
Reason and procedure for the change	N/A
Use of outstanding proceeds	Deposited designated bank account for further usage in the technological renovation project of plate-strip project.

6.4 Projects financed by non-raised proceeds

Unit: Rmb

Project name	Amount	Progress	Earnings
4100 Wide-thick steel plates	1,918,000,000	1%	Under construction
Total	1,918,000,000	1%	-

6.5 Profit distribution proposal or the proposal of capital reserve conversion for the year

The Board proposed to distribute final dividend of RMB0.10 per share (tax inclusive) for the year 2007, and did not recommend converting capital reserve into share capital.

6.6 Other Events

6.6.1 Remuneration of Auditors

During the reporting period, remunerations of the domestic auditor KPMG Huazhen and international auditor KPMG paid by the Company for their audit of the enclosed financial statements prepared under the PRC GAAP and the financial statements prepared under the HKFRS amounted to RMB2,600,000. As at the end of the reporting period, the current auditors had provided auditing service for the Company for 1 year.

6.6.2 Qualified Accountants

Mr. Tu De Ling resigned from the position as the qualified accounts of the Company on 25th June 2007. The Company appointed Ms. Song Ying as financial controller of the Company on 29th June 2007. As at the date hereof, the Company is in active communication with the Hong Kong Stock Exchange for the application of appointment of Ms. Song Ying as the qualified accountants of the Company.

6.6.3 On 2nd November 2007, the fourth session of the Board held its 38th meeting and resolved: The combination of Power Plant and Thermal Power Plants into Power Plant

6.6.4 Compliance with Code on Corporate Governance Practices

With comparing with provisions from the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules, Directors of the Company was of the view that the Company had complied with the provisions set out in Code on Corporate Governance Practices and no significant deviations had been found.

6.6.5 Model Code for Securities Transactions by Directors and Supervisors

The Company takes the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to Listing Rules of the Hong Kong Stock Exchange and the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof (Zheng Jian Gong Si Zi No.56 [2007] by CSRC) as the code for securities transactions by its Directors, Supervisors, and Senior Management. After making specific enquiries to all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had complied with the requirements of the above Model Code and Rules concerning the securities transactions by Directors as at 31st December 2007.

7 SIGNIFICANT EVENTS

7.1 Major Connected transactions

7.1.1 Connected Transactions Related to Ongoing Operations

Unit: Rmb'000

Connected transactions of the Company for the year ended 31 December 2007

Related party	Products sold to related party Amount *(RMB'000)*	Products sold to related party Percentage in similar transactions *(%)*	Products purchased from related party Amount *(RMB'000)*	Products purchased from related party Percentage in similar transactions *(%)*
Chongqing Iron & Steel Group Mining Company Limited	10,692	1.91	720,033	15.38
Chongqing Iron & Steel Group Iron Company Limited	—	—	544,412	56.17
Chongqing Iron & Steel Group Construction and Engineering Company Limited	4,928	0.88	22,511	7.16
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	160,971	28.71	243,233	85.25
Chongqing Iron & Steel Group Machinery Manufacturing Company Limited	32,233	5.75	72,238	17.86
Chongqing Iron & Steel Group Electronic Company Limited	—	—	22,240	5.5
Chongqing Iron & Steel Group Refractory Materials Company Limited	—	—	14,650	18
Chongqing Iron & Steel Group Thermal Ceramics Company Limited	—	—	6,475	7.96
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	—	—	7,750	0.99
Chongqing Si Gang Steel Company Limited	373,970	3.26	2,761	0.73
Chongqing Iron & Steel Group San Feng Industry Company	—	—	17,490	2.54

Chongqing Iron & Steel Group Design Institute	—	—	14,999	4.77
Chongqing Iron & Steel Group Steel Pipe Company Limited	220,586	1.92	—	—
Chongqing San Gang Steel Company Limited	174,552	1.52	—	—
Chongqing Iron & Steel Group Doorlead Realty Co., Ltd.	2,792	0.02	—	—
Chongqing Iron & Steel Group Transportation Company Limited	5,957	1.06	—	—
Others	69,912		7,586	—
Total	1,056,593	—	1,696,378	—

In addition, during the reporting period, the amount of connected transactions in respect to the Company's provision of labour service and receipt of labour services to/or the parent and its subsidiaries amounted to RMB3,376,000 and RMB220,691,000 million, respectively, and the land rental and advance paid on behalf of the controlling shareholder was RMB17,957,000 and RMB87,544,000, respectively.

7.1.2 Related Party Transactions and Balances

Related party transactions and balance were all arose from normal business activities of products purchase and sale and had no adverse impact on the Company's production and operation. Relevant details are set out in Note 48 to the financial statements prepared under PRC GAAP and Note 31 to the financial statements prepared under HKFRS.

Unit: Rmb'000

Related Party	Capital provided to related party		Capital provided by related party	
	Amount	Balance	Amount	Balance
Chongqing Iron & Steel Group Mining Company Limited	10,692	0	720,033	0
Chongqing Iron & Steel Group Iron Company Limited	—	—	544,412	0
Chongqing Iron & Steel Group Construction and Engineering Company Limited	4,928	50	22,511	19,716
Chongqing Iron & Steel Group Chaoyang Gas Company Limited	160,971	0	243,233	0
Chongqing Xinteng Metallurgical Burden Materials Company Limited	0	1,705	—	—
Chongqing Iron & Steel Group Machinery Manufacturing Company Limited	32,233	2,984	72,238	0

Chongqing Iron & Steel Group Electronic Company Limited	—	—	22,240	0
Chongqing Iron & Steel Group Refractory Materials Company Limited	0	2,556	14,650	0
Chongqing Iron & Steel Group Thermal Ceramics Company Limited	0	7,385	6,475	0
Chongqing Iron & Steel Group Zhongxing Industrial Company Limited	0	10,036	7,750	0
Chongqing Si Gang Steel Company Limited	373,970	94,267	2,761	0
Chongqing Iron & Steel Group Design Institute	—	—	14,999	6,320
Chongqing Iron & Steel Group San Feng Industry Company	0	5,205	17,490	0
Chongqing Iron & Steel Group Steel Pipe Company Limited	220,586	58,943	—	—
Chongqing San Gang Steel Company Limited	174,552	67,814	—	—
Chongqing San Feng Environmental Industry Company Limited	—	—	0	550
Chongqing Iron & Steel Group Transportation Company Limited	5,957	0	—	—
Chongqing Iron & Steel Group Yingsite Molding Company Limited	0	2,757	—	—
Chongqing San Huan Construction Supervision and Consultation Company Limited	—	—	0	265
Chongqing Iron & Steel (Group) Company Limited	—	—	—	3,059
Others	69,912	1,110	7,586	681
Total	1,056,593	254,812	1,696,378	30,591

7.2 Performance of Undertakings

In the Company's "PROSPECTUS of Initial Public Offering of Shares (A Shares)", the controlling shareholders 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 violate the above undertakings.

8 REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee was of the opinion that the Company operates in accordance with the laws, and no violations were found in the financial position, the use of raised proceeds, company acquisition, assets disposal, and connected transactions of the Company.

9 FNANCIAL REPORT

9.1 Auditor's opinion

The financial report for 2007 prepared by the Company under PRC GAAP was audited by KPMG Huazhen with the signature of the CPA Gong Wei Li and Lin Jian Kun an unqualified auditor's report was issued. The financial report for 2007 prepared by the Company under HKFRS was audited by KPMG, an unqualified auditor's report was issued.

9.2 Financial Statement (Prepared under HKFRS)

Balance sheet
at 31 December 2007
(Expressed in RMB)

	Note	**2007** **Rmb'000**	2006 Rmb'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**5,397,278**	5,532,413
Land use right		**25,820**	26,914
Available-for-sale financial asset		**5,000**	5,000
Deferred income tax assets		**7,329**	2,938
Trade and other receivables	4	**53,600**	62,600
		5,489,027	5,629,865
Current assets			
Inventories		**2,660,245**	2,146,968
Trade and other receivables	4	**1,715,449**	688,061
Prepayment for income tax		**—**	21,871
Restricted cash		**122,797**	63,870
Cash and cash equivalents		**971,082**	313,772
		5,469,573	3,234,542
Total assets		**10,958,600**	8,864,407

	Note		
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,733,127**	1,383,127
Other reserves		**1,617,179**	954,204
Retained earnings			
-Proposed final dividend		**173,313**	173,313
-Others		**1,678,120**	1,447,677
Total equity		**5,201,739**	3,958,321
LIABILITIES			
Non-current liabilities			
Borrowings		**1,188,747**	295,000
Trade and other payables	5	**95,361**	217,358
Deferred income		**35,145**	34,440
		1,319,253	546,798
Current liabilities			
Trade and other payables	5	**2,427,498**	2,011,635
Borrowings		**2,006,600**	2,347,653
Current taxation		**3,510**	—
		4,437,608	4,359,288
Total liabilities		**5,756,861**	4,906,086
Total equity and liabilities		**10,958,600**	8,864,407
Net current assets/(liabilities)		**1,031,965**	(1,124,746)
Total assets less current liabilities		**6,520,992**	4,505,119

Income statement
for the year ended 31 December 2007
(Expressed in RMB)

	Note	**2007**	2006
		Rmb'000	*Rmb'000*
			(restated)
Sales Volume	3	**12,021,195**	9,621,897
Cost of goods sold		**(10,390,292)**	(8,756,533)
Gross profit		**1,630,903**	865,364
Selling and marketing costs		**(243,611)**	(195,785)
Administrative expenses		**(695,314)**	(191,028)
Other (losses)/gains-net		**(10,102)**	9,037
Operation profit		**681,876**	487,588
Finance costs		**(212,206)**	(184,010)
Profit before income tax		**469,670**	303,578
Income tax expense	6	**(20,990)**	(1,093)
Profit for the year		**448,680**	302,485
Dividends	8	**173,313**	283,963
Earnings per share for profit attributable to the Company's shareholders during the year	7		
— Basic and diluted		**Rmb0.268**	Rmb0.219

Note

1. Basis of preparation

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial assets and financial liabilities are stated at their fair value as explained in the accounting policies.

Save as the following, the accounting policy for the year remained the same as that of last year.

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 astatements 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.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those segments operating in other economic environments.

3. Sales

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

4. Trade and other receivables

	2007	2006
	Rmb'000	*Rmb'000*
Notes receivables	**341,177**	315,426
Accounts receivable	**198,807**	258,685
Trade receivables	**539,984**	574,111
Less: provision for impairment of trade receivables	**(144,880)**	(150,948)
Trade receivables - net	**395,104**	423,163
Receivables from fellow subsidiaries of the Holding Company	**258,630**	116,818
Less: provision for impairment of receivables from fellow subsidiaries of the Holding Company	**(10,079)**	(10,079)
Receivables from fellow subsidiaries of the Holding Company - net	**248,551**	106,739
Prepayments and deposits	**1,106,767**	209,756
Other receivables	**30,345**	22,721
Less: provision for impairment of other receivables	**(11,718)**	(11,718)
Other receivables - net	**18,627**	11,003
	1,769,049	750,661
Less non-current portion: prepayment to a supplier	**(53,600)**	(62,600)
Current portion	**1,715,449**	688,061

5. **Trade and other payables**

	2007	2006
	Rmb'000	*Rmb'000*
		(restated)
Trade payables	**1,411,962**	1,183,647
Advances from customers	**956,108**	884,062
Amounts due to the Holding Company and its subsidiaries	**30,592**	57,678
Value added tax and other tax payables	**59,441**	54,047
Salaries payable	**21,747**	16,296
Deposits from customers	**5,540**	4,275
Other payables	**37,469**	28,988
	2,522,859	2,228,993
Less non-current portion:		
— Advances from a customer	**(95,361)**	(215,897)
— Other payables	**—**	(1,461)
	(95,361)	(217,358)
	2,427,498	2,011,635

6. **Income tax expenses**

	2007	2006
	Rmb'000	*Rmb'000*
		(Restated)
Income tax for the year	**25,381**	1,538
Deferred income tax	**(4,391)**	(445)
Total	**20,990**	1,093

7. **Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company of Rmb448,680,000 (2006: Rmb302,485,000) by the weighted average number of ordinary shares in issue during the year of 1,674,794,000 shares (2006: 1,383,127,000 shares). In determining the weighted average number of ordinary shares in issue for the year ended 31 December 2006, the 319,183,000 bonus shares issued in 2006 were treated as if it had occurred as at 1 January 2006. The weighted average number of ordinary shares for the year ended 31 December 2007 also reflects the issuance of 350,000,000 A shares in February 2007.

Diluted earnings per share equals to basic earnings per share as there are no potential dilutive shares outstanding as at 31 December 2007 (2006: Nil).

8. Dividend

During the Board of Directors' meeting on 23 April 2008, the directors of the Company resolved to declare dividends in respect of 2007 of Rmb0.10 per share (2006: Rmb0.10 per share), totalling Rmb173,313,000 (2006: Rmb173,313,000), which is to be proposed at the forthcoming Annual General Meeting. The allocation basis of the dividends being distributed to the shareholders is based on the number of shares in issue of 1,733,127,000 as at 31 December 2007.

	2007	2006
	Rmb'000	*Rmb'000*
Final, proposed, of Rmb0.10 (2006: Rmb0.10) per share	**173,313**	173,313

9 Legal information

Pursuant to Rule 13.49(1) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange of Hong Kong Limited, all data required to set out in the results announcement of the Company for the year ended 31 December 2007 will be published on the website of the Hong Kong Stock Exchange of Hong Kong Limited: www.hkexnews.hk.

By order of the Board
Chongqing Iron & Steel Company Limited
You Xiao An
Secretary to the Board

Chongqing, PRC
23 April 2008

As at the date of this announcement, the Directors of the Company include: Mr. Luo Fu Qin (Director), Mr. Yuan Jin Fu (Director), Mr. Chen Shan (Director), Mr. Chen Hong (Director), Mr. Sun Yi Jie (Director), Mr. Li Ren Sheng (Director), Mr. Wang Xiang Fei (Independent Non-executive Director), Mr. Sun Yu (Independent Non-executive Director) and Mr. Liu Xing (Independent Non-executive Director).

Please also refer to the published version of this announcement in China Daily.

Appendix: (Prepared in accordance with PRC GAAP)

Balance Sheet as at 31 December 2007

(All amounts in Rmb'000 unless otherwise stated)

	2007	2006
Assets		
Current assets		
Cash at bank and on hand	**1,093,879**	377,642
Bills Receivable	**496,769**	350,504
Accounts Receivable	**146,886**	179,398
Prepayments	**1,053,169**	147,156
Other Receivable	**18,627**	11,003
Inventories	**2,660,245**	2,146,968
Total current assets	**5,469,575**	3,212,671
Non-current assets		
Long-term equity investments	**5,000**	5,000
Fixed assets	**5,249,670**	4,767,865
Construction in Progress	**124,830**	671,926
Construction materials	**22,777**	108,218
Intangible Assets	**25,820**	10,215
Deferred income tax assets	**7,329**	2,938
Other non-current assets	**53,600**	62,600
Total non-current assets	**5,489,026**	5,628,762
Total assets	**10,958,601**	8,841,433
Liabilities and shareholders' equity		
Current liabilities		
Short-term loans	**1,720,600**	1,826,653
Bills Payable	**—**	110,000
Accounts Payable	**1,411,961**	1,073,647
Advances from customers	**860,747**	668,164
Employee benefits payable	**21,747**	16,296
Taxes Payable	**62,951**	32,176
Interest Payable	**2,342**	—
Other Payables	**71,261**	90,640
Non-current liabilities due within 1 year	**286,000**	521,000
Total current liabilities	**4,437,609**	4,338,576

Non-current liabilities		
Long-term loans	**1,188,747**	295,000
Other non-current liabilities	**112,284**	231,878
Total non-current liabilities	**1,301,031**	526,878
Total liabilities	**5,738,640**	4,865,454
Shareholders' equity		
Share capital	**1,733,127**	1,383,127
Capital reserve	**1,164,384**	546,333
Surplus reserve	**506,849**	461,925
Retained earnings	**1,815,601**	1,584,594
Total shareholders' equity	**5,219,961**	3,975,979
Total liabilities and shareholders' equity	**10,958,601**	8,841,433

Income Statement for the Year Ended 31 December 2007

(All amounts in Rmb'000 unless otherwise stated)

	2007	2006
Operating Income	**12,058,453**	9,671,561
Less: operating cost	**10,418,035**	8,787,569
Business tax and surcharges	**372**	350
Selling and distribution costs	**243,611**	195,785
General and administrative expense	**665,132**	203,919
Financial expenses	**206,757**	180,248
Impairments losses	**30,562**	(7,389)
Operating profit	**493,984**	311,079
Add: Non-operating income	**11,403**	3,458
Less: Non-operating expenses	**35,153**	6,682
(Including: Loss from the disposal of non-current assets)	**22,235**	3,992
Profit before income tax	**470,234**	307,855
Less: Income tax expenses	**20,990**	1,093
Net profit from the year	**449,244**	306,762
Earnings per share		
Basic earnings per share *(Rmb)*	**0.27**	0.22
Diluted earnings per share *(Rmb)*	**0.27**	0.22

Cash Flow Statement for the Year Ended 31 December 2007

(All amounts in Rmb'000 unless otherwise stated)

	2007	2006
Cash flows from operating activities		
Cash received from rendering of services	**14,433,123**	11,611,533
Other cash received relating to operating activities	**23,669**	1,372
Subtotal of cash inflows from operating activities	**14,456,792**	11,612,905
Cash paid for goods and services	**(12,515,357)**	(9,011,738)
Cash paid to and for employees	**(691,510)**	(582,011)
Cash paid for all types of taxes	**(651,210)**	(521,114)
Other cash paid relating to operating activities	**(118,732)**	(643,811)
Subtotal of cash outflows from operating activities	**(13,976,809)**	(10,758,674)
Net cash inflow from operating activities	**479,983**	854,231
Cash flows from investment activities:		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**2,027**	3,686
Other cash received relating to investing activities	**8,918**	4,435
Subtotal of cash inflows from investment activities	**10,945**	8,121
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	**(986,162)**	(612,408)
Subtotal of cash outflows from investment activities	**(986,162)**	(612,408)
Net cash flows from investing activities	**(975,217)**	(604,287)

Cash flows from financing activities:		
Cash received from investors	**977,260**	—
Cash received from borrowings	**3,337,265**	2,676,357
Subtotal of cash inflows from investment activities	**4,314,525**	2,676,357
Cash repayments of borrowings	**(2,782,226)**	(2,620,000)
Cash payments for dividends, profits distribution or interest	**(378,169)**	(443,749)
Other cash paid relating to financing activities	**(1,586)**	—
Subtotal of cash outflows for financing activities	**(3,161,981)**	(3,063,749)
Net cash flows from financing activities	**1,152,544**	(387,392)
Net increase/(decrease) in cash and cash equivalents	**657,310**	(137,448)
Add: Balance of cash and cash equivalents at the beginning of the year	**313,772**	451,220
Balance of cash and cash equivalents at the end of the year	**971,082**	313,772

Statement of Changes in Equity for the Year Ended 31 December 2007

(All amounts in Rmb'000 unless otherwise stated)

	Share Capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
Balance as at 31st December 2006	1,383,127	546,333	461,925	1,600,132	3,991,517
Changes in accounting policies	—	—	—	(15,538)	(15,538)
Balance as at 1 January 2007	1,383,127	546,333	461,925	1,584,594	3,975,979
Changes in equity for the year					
1. Net profit for the year	—	—	—	449,244	449,244
2. Shareholders' contribution and decrease of capital					
— Capital injected by shareholders	350,000	618,051	—	—	968,051
3. Appropriation of profits					
— Appropriation for surplus reserve	—	—	44,924	(44,924)	—
— Distributions to shareholders	—	—	—	(173,313)	(173,313)
Balance as at 31st December 2007	1,733,127	1,164,384	506,849	1,815,601	5,219,961
Balance as at 31st December 2005	1,063,944	527,573	430,441	1,906,204	3,928,162
Changes in accounting policies	—	—	—	(7,463)	(7,463)
Balance as at 1 January 2006	1,063,944	527,573	430,441	1,898,741	3,920,699
Changes in equity for in the year					
1. Net profit for the year	—	—	—	306,762	306,762
2. Appropriation of profits					
— Approbation for of surplus reserve	—	—	31,484	(31,484)	—
— Distribution to shareholders	—	—	—	(270,242)	(270,242)
3. Bonus dividends relating to 2005	319,183	—	—	(319,183)	—
4. Others					
— Government grants	—	18,760	—	—	18,760
Balance as at 31st December 2006	1,383,127	546,333	461,925	1,584,594	3,975,979