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)

ANNOUNCEMENT ON 2008 INTERIM RESULTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30TH JUNE 2008

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 2008, together with the comparative figures for 2007. This announcement of 2008 interim results has been reviewed by the Audit Committee of the Company. (Unless otherwise specified, financial data contained in this Announcement is extracted from the unaudited financial statements of the Company prepared under PRC GAAP, should there be any discrepancy in understanding to the two languages, the Chinese version shall prevail.)

I. MAJOR FINANCIAL INFORMATION PREPARED UNDER THE HONG KONG FINANCIAL REPORTING STANDARDS

(1) CONDENSED INTERIM INCOME STATEMENT

		Six months ended 30th June	
		2008	2007
		Unaudited	Unaudited
	Note	***RMB'000***	*RMB'000*
Sales	1	**8,827,022**	5,723,399
Cost of goods sold		**(7,684,404)**	(4,909,146)
Gross profit		**1,142,618**	814,253
Other gains/(losses) — net		**13,154**	(6,740)
Selling and marketing costs		**(128,949)**	(110,932)
Administrative expenses		**(402,859)**	(303,463)
Operating profit	3	**623,964**	393,118
Finance costs		**(128,616)**	(107,797)
Profit before income tax		**495,348**	285,321
Income tax expenses	4	**(11,144)**	(22,577)
Profit for the half year		**484,204**	262,744

	Note		
Attributable to:			
Equity holders of the Company		**484,204**	262,744
Earnings per share for profit attributable to the equity holders of the Company			
— Basic and diluted	5	**RMB0.279**	RMB0.163
Dividends	6	**—**	—

(2) CONDENSED INTERIM BALANCE SHEET

	Note	**30th June 2008 Unaudited** ***RMB'000***	31st December 2007 Audited *RMB'000*
ASSETS			
Non-current assets			
Property, machinery and equipment		**6,259,942**	5,397,278
Land use right		**253,654**	25,820
Available-for-sale financial assets		**5,000**	5,000
Deferred income tax assets		**21,566**	7,329
Trade and other receivables	2	**48,800**	53,600
Total non-current assets		**6,588,962**	5,489,027
Current assets			
Inventories		**3,173,081**	2,660,245
Trade and other receivables		**1,572,701**	1,715,449
Restricted cash		**91,743**	122,797
Cash and cash equivalents		**1,437,937**	971,082
Total current assets		**6,275,462**	5,469,573
Total assets		**12,864,424**	10,958,600
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,733,127**	1,733,127
Other reserves		**1,617,179**	1,617,179
Retained earnings			
— Proposed final dividend	6	**—**	173,313
— Others		**2,162,324**	1,678,120
Total equity		**5,512,630**	5,201,739

LIABILITIES

Non-current liabilities		
Borrowings	**2,560,546**	1,188,747
Trade and other payables	**32,647**	95,361
Deferred income	**34,930**	35,145
Total non-current liabilities	**2,628,123**	1,319,253
Current liabilities		
Borrowings	**1,653,000**	2,006,600
Trade and other payables	**3,044,730**	2,427,498
Income tax payable	**25,941**	3,510
Total current liabilities	**4,723,671**	4,437,608
Total liabilities	**7,351,794**	5,756,861
Total equity and liabilities	**12,864,424**	10,958,600
Net current assets/(liabilities)	**1,551,791**	1,031,965
Total assets less current liabilities	**8,140,753**	6,545,992

(3) CONDENSED INTERIM CASH FLOW STATEMENT

	Six months ended 30th June	
	2008	2007
	Unaudited	Unaudited
	RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES	**171,741**	224,642
CASH FLOWS FROM INVESTING ACTIVITIES		
— Purchase of property, plant and equipment	**(609,376)**	(549,297)
— Proceeds from disposals of property, plant and equipment	**6,233**	4,127
— Other investing cash flow — net	**5,920**	3,815
Net cash used in investing activities	**(597,223)**	(541,355)
CASH FLOW FROM FINANCING ACTIVITIES		
— Cash from receipt of investment	**—**	977,260
— Interest paid	**(142,199)**	(109,188)
— Repayments of borrowings	**(1,659,519)**	(1,465,738)
— Additions of borrowings	**2,694,055**	1,976,173
— Other financing cash flows — net	**—**	(1,586)
Net cash generated from financing activities	**892,337**	1,376,921
Net increase in cash and cash equivalents	**466,855**	1,060,208
Cash and cash equivalents at beginning of the period	**971,082**	313,772
Cash and cash equivalents at end of the period	**1,437,937**	1,373,980

NOTES:

1. Sales and segment information

	Six months ended 30th June	
	2008	2007
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Sales of steel products	**8,546,892**	5,439,193
Other sales	**280,130**	284,206
	8,827,022	5,723,399

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

2. Trade and other receivables

	30th June	31st December
	2008	2007
	Unaudited	Audited
	RMB'000	*RMB'000*
Bills receivable	**661,985**	341,177
Accounts receivable	**271,954**	198,807
Trade receivables	**933,939**	539,984
Less: provision for impairment of trade receivables	**(144,975)**	(144,880)
Trade receivables — net	**788,964**	395,104
Receivables from fellow subsidiaries of the Holding Company	**320,176**	258,630
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	**310,097**	248,551
Prepayments	**494,608**	1,106,767

Other receivables	**39,550**	30,345
Less: provision for impairment of other receivables	**(11,718)**	(11,718)
Other receivables — net	**27,832**	18,627
	1,621,501	1,769,049
Less non-current portion: prepayment to a supplier	**(48,800)**	(53,600)
Current portion	**1,572,701**	1,715,449

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

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

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

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

3. Operating profit

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

	Six months ended 30th June	
	2008	2007
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Provision/(reversal of provision) for impairment of trade and other receivables	**256**	(1,384)
Provision for impairment of inventories	**25,886**	13,566
Provision for impairment of property, plant and equipment	**68,483**	8,510
Loss on disposal of property, plant and equipment	**1,288**	4,801

4. Income tax

The income tax expense was calculated based on the best estimate on the weighted average income tax rate for 2008 made by the management of the Company. The income tax rate for 2008 is estimated at 15% (2007: 15%).

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

No Hong Kong profit tax (six months ended 30th June 2007: nil) has been provided as the Company had no taxable profit in Hong Kong for the six months ended 30th June 2008.

5. Earnings per share

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

Diluted earnings per share equals to basic earnings per share as there are no potential dilutive shares outstanding as at 30th June 2008 (30th June 2007: nil).

6. Dividends

Pursuant to the board meeting held on 23rd April 2008, directors of the Company resolved to pay a final dividend for 2007of RMB0.10 (2006: RMB0.10) per share, totalling RMB173,313,000 (2006: RMB173,313,000), which was considered and approved at the annual general meeting for 2007. The amount of dividend is based on 1,733,127,000 shares in issue on 31st December 2007.

The Board does not recommend the payment of interim dividends for 2008.

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

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

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

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

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

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

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

(2) Analysis on principal operation during the reporting period

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

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

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

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

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

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

Selling price

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

Sales volume

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

(3) Operating results during the Reporting Period

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

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

(1) Gross profit from principal operations amounted to RMB1,142,781,000 representing an increase of RMB313,479,000 over the same period of last year, mainly due to:

(i) The average selling price of steel products (billets) was 5,009/tonne, representing an increase of 45.70% over the same period of last year, which increased profit by RMB2,680,330,000. However, due to the appreciation of raw materials such as ore, coal and scrap steel leading to significant increase in operation cost which decreased profit by RMB2,508,940,000, the profit growth of Company was lowered;

(ii) The sales volume amounted to 1,705,500 tonnes, representing an increase of 7.80% over same period last year, which increased profits of RMB61,073,000;

(iii) Due to use more of recycled gas, self-production electricity represented a year-on-year increase, which increased profits of RMB24,940,000;

(iv) Meticulous management, scale production and workflow cost reduction increased profits of RMB45,940,000.

(2) In the wake of technology renovations in recent years, parts of original equipment and spare parts in inventory could not use anymore. By the liquidation of parts of backward fixed assets and spare parts, the Company made provision for impairment of assets of RMB94,625,000, representing an increase of RMB73,933,000 over the same period last year.

(3) Selling expenses of the Company amounted to RMB128,949,000, representing an increase of RMB18,017,000 as compared with last year, which was mainly attributable to the increase in shipbuilding inspection expenses and transportation charges as a result of expanded production and sales volume of ship plates.

(4) Management expenses amounted to RMB308,234,000, representing an increase of RMB3,087,000 over the same period last year, which was attributable to an increase in staff wages due to hiking price index in the first half of 2008.

(5) Financial costs of the Company amounted to RMB118,784,000, increased by RMB14,378,000 over last year, which was mainly attributable to a rise in interest rate, resulting in an increase in interest expenses.

(4) Analysis on financial position during the reporting period

(1) As at 30th June 2008, the Company's total assets amounted to RMB12,864,424,000 and the total liabilities amounted to RMB7,333,841,000 with gearing ratio of 57.01%; The current assets amounted to RMB6,275,463,000 while the current liabilities amounted to RMB4,723,671,000. The current assets/current liabilities ratio was 132.85%.

(2) In the first half of 2008, due to the increase in sales of the Company, net cash from operating activities amounted to RMB171,741,000. Together with the net cash flow from financing activities of RMB892,337,000, the Company's current cash and cash equivalent increased by RMB466,855,000 after deducting net cash outflow from investment project of RMB597,223,000 as a result of saving energy and material consumption and improving asset function by the Company. As at 30th June 2008, the Company's bank balances and cash amounted to RMB1,437,937,000.

III. PROSPECTS

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

IV. OTHER ISSUES

(1) Compliance with the Code on Corporate Governance Practices

The Board is of the opinion that during the reporting period, the Company has complied with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules of the Stock Exchange").

(2) Securities transactions by Directors

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

(3) 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.

(4) Audit Committee

After reviewing the unaudited interim financial statements of the Company for the six months ended 30th June 2008 and discussing the issues regarding auditing, internal control and financial reporting, the Audit Committee is of opinion that the financial statements are in accordance with the applicable accounting standards and regulations in which adequate disclosures have been made.

(5) Publication of the 2008 Interim Report on the Website of the Stock Exchange of Hong Kong Limited

The 2008 interim report containing all information as required by paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules of the Stock Exchange will be published on the website "HKExnews" of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.cqgt.cn) in due course.

By order of the Board
Chairman
Luo Fu Qin

Chongqing, the PRC
26th August 2008

At the date of this announcement, the Directors of the Company include: Mr. Luo Fu Qin, Mr. Yuan Jin Fu, Mr. Chen Shan, Mr. Sun Yi Jie, Mr. Chen Hong, Mr. Li Rensheng, 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: The 2008 unaudited interim financial statements under PRC Accounting Standards and Difference between PRC Accounting Standards and Hong Kong Accounting Standards

BALANCE SHEET

30 June 2008
Prepared by: Chongqing Iron & Steel Company Limited *Unit: RMB'000*

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

Liabilities and shareholders' equity

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

INCOME STATEMENT

Jan-Jun 2008

Prepared by: Chongqing Iron & Steel Company Limited *Unit: RMB'000*

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

CASH FLOW STATEMENT

Jan-Jun 2008

Prepared by: Chongqing Iron & Steel Company Limited *Unit: RMB'000*

	Jan-Jun 2008	Jan-Jun 2007
1. Cash flow from operating activities		
Cash received from sales of goods and rendering of services	**10,260,682**	6,635,650
Other cash received relating to operating activities	**1,658**	4,910
Sub-total of cash inflows	**10,262,340**	6,640,560
Cash paid for goods and services	**(9,289,660)**	(5,667,492)
Cash paid to and for employees	**(400,970)**	(363,908)
Cash paid for all types of taxes	**(300,816)**	(344,066)
Other cash paid relating to operating activities	**(99,153)**	(40,452)
Sub-total of cash outflows	**(10,090,599)**	(6,415,918)
Net cash inflow from operating activities	**171,741**	224,642
2. Cash flows from investing activities		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**6,233**	4,127
Other cash received relating to investing activities	**5,920**	3,815
Sub-total of cash inflows	**12,153**	7,942
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	**(609,376)**	(549,297)
Sub-total of cash outflows	**(609,376)**	(549,297)
Net cash inflow from investing activities	**(597,223)**	(541,355)
3. Cash flows from financing activities		
Cash received from investors	**—**	977,260
Cash received from borrowings	**2,694,055**	1,976,173
Sub-total of cash inflows	**2,694,055**	2,953,433
Cash repayments of borrowings	**(1,659,519)**	(1,465,738)
Cash payments for dividends, profits distribution or interest	**(142,199)**	(109,188)
Other cash paid relating to financing activities	**—**	(1,586)
Sub-total of cash outflows	**(1,801,718)**	(1,576,512)
Net cash inflows from financing activities	**892,337**	1,376,921
4. Effect of foreign exchange rate changes on cash and cash equivalents	**—**	—
5. Net increase/(decrease) in cash and cash equivalents	**466,855**	1,060,208
Add: Cash and cash equivalents at the beginning of the period	**971,082**	313,772
6. Cash and cash equivalents at the end of the period	**1,437,937**	1,373,980

STATEMENT OF CHANGES IN EQUITY

Jan-Jun 2008

Prepared by: Chongqing Iron & Steel Company Limited *Unit: RMB'000*

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

STATEMENT OF CHANGES IN EQUITY

Jan-Jun 2007

Prepared by: Chongqing Iron & Steel Company Limited *Unit: RMB'000*

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

EXPLANATIONS TO THE DIFFERENCES IN NET PROFIT DURING THE REPORTING PERIOD AND NET ASSETS AT THE END OF REPORTING PERIOD BETWEEN THE ACCOUNTING STATEMENTS PREPARED IN ACCORDANCE WITH PRC ACCOUNTING STANDARDS AND HONG KONG ACCOUNTING STANDARDS (RMB'000)

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

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