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 OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the "Board") of Chongqing Iron & Steel Company Limited (the "Company") is pleased to announce the Company's annual results for the year ended 31 December 2008 (the "Reporting Period") together with comparative figures for the year ended 31 December 2007.

I. SUMMARY OF MAJOR FINANCIAL DATA AND STATISTICAL FIGURES PREPARED UNDER HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

Income statement for the year ended 31 December 2008
(Expressed in Rmb)

	Note	**2008** *Rmb'000*	2007 *Rmb'000*
Sales	5	**16,482,183**	12,021,195
Cost of goods sold	6	**(13,836,547)**	(10,390,292)
Gross profit		**2,645,636**	1,630,903
Selling and marketing costs	6	**(258,939)**	(243,611)
Administrative expenses	6	**(1,528,891)**	(695,314)
Other gains/(losses)-net		**7,824**	(10,102)
Operation profit		**865,630**	681,876
Finance costs		**(259,328)**	(212,206)
Profit before income tax		**606,302**	469,670
Income tax expense	7	**(7,466)**	(20,990)
Profit for the year		**598,836**	448,680
Dividends	8	**173,313**	173,313
Earnings per share for profit attributable to the Company's shareholders during the year	9		
— Basic and diluted		**Rmb0.35**	Rmb0.27

Balance sheet at 31 December 2008

(Expressed in Rmb)

	Note	2008 Rmb'000	2007 Rmb'000
ASSETS			
Non-current assets			
Property, plant and equipment		**6,704,129**	5,397,278
Land use right		**251,050**	25,820
Available-for-sale financial asset		**5,000**	5,000
Deferred income tax assets		**129,386**	7,329
Trade and other receivables	3	**42,750**	53,600
		7,132,315	5,489,027
Current assets			
Inventories	2	**3,057,732**	2,660,245
Trade and other receivables	3	**1,031,260**	1,730,960
Restricted cash		**56,608**	122,797
Cash and cash equivalents		**1,147,053**	971,082
		5,292,653	5,485,084
Total assets		**12,424,968**	10,974,111
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,733,127**	1,733,127
Other reserves		**1,677,009**	1,617,179
Retained earnings			
—Proposed final dividend		**173,313**	173,313
—Others		**2,043,813**	1,678,120
Total equity		**5,627,262**	5,201,739

Balance sheet at 31 December 2008 *(continued)*
(Expressed in Rmb)

	Note	**2008**	2007
		Rmb'000	*Rmb'000*
LIABILITIES			
Non-current liabilities			
Trade and other payables	4	**440,000**	95,361
Borrowings		**2,324,076**	1,188,747
Deferred income		**34,457**	35,145
		2,798,533	1,319,253
Current liabilities			
Trade and other payables	4	**1,682,089**	2,443,009
Borrowings		**2,238,000**	2,006,600
Current taxation		**79,084**	3,510
		3,999,173	4,453,119
Total liabilities		**6,797,706**	5,772,372
Total equity and liabilities		**12,424,968**	10,974,111
Net current assets		**1,293,480**	1,031,965
Total assets less current liabilities		**8,425,795**	6,520,992

Notes:

1. SEGMENT REPORTING

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 year ended 31 December 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. INVENTORIES

	2008	2007
	Rmb'000	*Rmb'000*
Raw materials	**2,015,941**	1,590,298
Work in progress	**536,078**	648,535
Finished goods	**186,949**	150,367
Reusable materials	**318,764**	271,045
	3,057,732	2,660,245

During the year ended 31 December 2008, the Company recognised a write-down of inventories of Rmb785,520,000 (2007: recognised a write-down of Rmb15,503,000). The amount recognised has been included in administrative expenses in the income statement.

The cost of inventory recognised as expenses and included in cost of goods sold amounted to Rmb12,803,456,000 (2007: Rmb8,817,062,000).

3. TRADE AND OTHER RECEIVABLES

	2008	2007
	Rmb'000	*Rmb'000*
Notes receivable	**411,614**	341,177
Accounts receivable *(Note (a))*	**246,485**	198,807
Trade receivables	**658,099**	539,984
Less: provision for impairment of trade receivables	**(144,562)**	(144,880)
Trade receivables — net	**513,537**	395,104
Receivables from fellow subsidiaries of the Holding Company *(Note (b))*	**216,034**	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	**205,955**	248,551
Prepayments and deposits	**309,093**	1,106,767
Other receivables	**52,143**	45,856
Less: provision for impairment of other receivables	**(6,718)**	(11,718)
Other receivables - net	**45,425**	34,138
	1,074,010	1,784,560
Less non-current portion: prepayment to a supplier	**(42,750)**	(53,600)
Current portion	**1,031,260**	1,730,960

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

	2008	2007
	Rmb'000	*Rmb'000*
Trade receivables	**513,537**	395,104
Receivables from fellow subsidiaries of the Holding Company	**205,955**	248,551
Prepayments and deposits	**309,093**	1,106,767
Other receivables	**45,425**	34,138
	1,074,010	1,784,560

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

	2008	2007
	Rmb'000	*Rmb'000*
Between 1 and 2 years	**10,800**	10,800
Between 2 and 5 years	**31,950**	42,800
	42,750	53,600

(a) The Company normally requires advanced payments from new customers before delivery. For existing customers, the Company normally offers a 1-month credit period. The ageing analysis of accounts receivables as at 31 December 2008 is as follows:

	2008	2007
	Rmb'000	*Rmb'000*
Within 3 months	**99,529**	48,068
Between 3 months and 1 year	**767**	4,679
Between 1 and 2 years	**1,800**	1,557
Between 2 and 3 years	**629**	491
Over 3 years	**143,760**	144,012
	246,485	198,807

There is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers, domestically dispersed.

(b) The ageing analysis of receivables from fellow subsidiaries of the Holding Company as at 31 December 2008 is as follows:

	2008	2007
	Rmb'000	*Rmb'000*
Within 3 months	**160,756**	182,272
Between 3 months and 1 year	**37,938**	54,889
Between 1 and 2 years	**47**	3,819
Between 2 and 3 years	**1,514**	5,028
Over 3 years	**15,779**	12,622
	216,034	258,630

4. TRADE AND OTHER PAYABLES

	2008	2007
	Rmb'000	*Rmb'000*
Trade payables *(Note (a))*	**602,113**	1,411,962
Advances from customers	**1,104,007**	956,108
Amounts due to the Holding Company and its subsidiaries	**207,580**	30,592
Value added tax and other tax payables	**110,143**	74,952
Salaries payable	**39,963**	21,747
Deposits from customers	**6,411**	5,540
Other payables	**51,872**	37,469
	2,122,089	2,538,370
Less non-current portion:		
— Advances from a customer *(Note (b))*	**(440,000)**	(95,361)
Current portion	**1,682,089**	2,443,009

(a) The ageing analysis of trade payables as at 31 December 2008 is as follows:

	2008	2007
	Rmb'000	*Rmb'000*
Within 6 months	**494,650**	1,256,784
Between 6 months and 1 year	**32,340**	92,328
Between 1 and 2 years	**26,945**	32,112
Between 2 and 3 years	**21,179**	11,908
Over 3 years	**26,999**	18,830
	602,113	1,411,962

(b) The maturity of non-current advances from a customer is as follows:

	2008	2007
	Rmb'000	*Rmb'000*
Between 1 and 2 years	**240,000**	95,361
Between 2 and 5 years	**200,000**	—
	440,000	95,361

The original effective interest rates on non-current advance from a customer received in 2008 are 5.72% to 7.19% (2007: 5.48% to 7.19%).

5. SALES

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

6. EXPENSE BY NATURE

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analysed as follows:

	2008	2007
	Rmb'000	*Rmb'000*
Depreciation	**313,654**	311,945
Amortisation	**4,823**	1,094
Written-back of impairment of receivables	**(4,978)**	(4,641)
Provision for impairment of property, plant and equipment	**91,896**	19,700
Staff costs	**883,914**	696,961
Changes in inventories of finished goods and work in progress	**(94,041)**	(265,095)
Raw materials and consumables used	**12,111,977**	9,066,654
Write-down of inventories	**785,520**	15,503
Auditors' remuneration		
— audit services	**3,680**	2,600
— other services	**2,800**	—
Maintenance expenses	**361,111**	404,139
Rental for land use rights	**17,957**	17,957
Transportation expenses	**124,240**	120,318
Plate inspection fees	**75,786**	65,807
Other expenses	**946,038**	876,275
	15,624,377	11,329,217

7. INCOME TAX EXPENSE

	2008	2007
	Rmb'000	*Rmb'000*
Current PRC income tax	**129,523**	25,381
Deferred income tax assets	**(122,057)**	(4,391)
	7,466	20,990

8. DIVIDENDS

During the Board of Directors' meeting on 31 March 2009, the directors of the Company resolved to declare dividends in respect of 2008 of Rmb0.10 per share, totalling 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 2008.

	2008	2007
	Rmb'000	*Rmb'000*
Final, proposed, of Rmb0.10 (2007: Rmb0.10) per share	**173,313**	173,313

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company of Rmb598,836,000 (2007: Rmb448,680,000) by the weighted average number of ordinary shares in issue during the year of 1,733,127,000 shares (2007: 1,674,794,000 shares). 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 2008 (2007: Nil).

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

(Unless otherwise specified, all financial data in this report are extracted from the audited financial statements of the Company prepared under PRC GAAP.)

1. Overall operation status of the Company during the Reporting Period

During the first half of 2008, booming national economy and fixed asset investment supported domestic steel demand. Steel export was stimulated by overseas demand and international price gap. Domestically, steel price had seen steep surge as pushed by raw materials and fuel prices. Price and volume were both on rise in steel market, with rapidly growing demand and supply. During the second half of 2008, global financial crisis triggered by the U.S. sub-prime crisis plagued world economy recession. Leading to dramatically slowed China's economy in a downside cycle. Domestic downstream steel sectors mired in recession, demand shrank significantly, especially in ship building, construction machinery, construction, automobile and boiler for industrial purpose. Under decreasing domestic demand for steel coupled with shrinking export, steel price suffered a steep plunge. The industry started to record loss.

Overcoming transportation disruptions caused by natural disaster, we seized favorable market condition in the first half of the year to address the adversity in second half with calmness. By virtue of active sales promotion, optimized raw material procurement policy, strict quality control and continuous new products, we recorded sound results for the year. During the reporting period, the Company produced 1,367,100 tonnes of coke, 2,924,900 tonnes of pig iron, 3,357,600 tonnes of steel, 3,212,300 tonnes of steel products (billets). Coke decreased by 0.22%, pig iron decrease by 0.87%, while steel increased by 0.21% and steel products (billets) increased by 3.04% year-on-year. The Company recorded turnover of RMB16,517,443,000, and operating earnings of RMB609,106,000, increasing by 36.98% and 23.30% respectively over last year.

During the reporting period, the Company timely adjusted marketing strategy in line with the changing market. In the first three quarters, the Company seized market opportunity to raise and preserve price. In the downturn of fourth quarter, the Company adopted production preservation and secured profit. By enhancing communication and coordination with strategic customers and optimizing resource allocation, we strengthened and protected our partnership and facilitated sales. In 2008, the Company sold 3,212,000 tonnes of steel products (billets) with a collection rate of accounts receivable amounting to 100.44%.

During the reporting period, we kept close watch on steel and raw material markets. With macro analysis and collection of demand and supply information in local markets, we were able to form and adjust raw material procurement strategy in time. The Company also expanded scope of procurement, with strict contracting and execution management to keep price in reasonable range. While ensuring stable production, the Company optimized ore resources by increasing proportion of domestic ore purchases and lowered raw material procurement cost.

During the reporting period, the Company tightened inspection on raw material input. By easing sampling intensity, improving examination speed and accuracy and inspection against abnormal materials, we successfully upheld quality of raw material input. Meanwhile, the Company intensified quality control in raw materials, iron, steel and rolling processes, bringing steel plate damage-free rate to 94.96%. During the reporting period, 24 of our quality control indicators were accomplished as planned, among which 23 reached target value. Passing rate of finished steel products of the year reached 99.62%, up 0.16 percentage point over last year.

During the reporting period, the Company developed 65x180 electrode flat steel, CG210 hot-rolled pipe blank and 11# I-section steel for mines to cater for market demand. At the same time, pilot production for specialised products was carried out according to market demand with a focus on high value-added products and advanced technology products. Pilot production of bulb flat steel, hard cable plate unit, Z plates and superior carbon steel poles had seen remarkable increase. During the reporting period, the Company completed pilot production of 657,900 tonnes for new products and specialised products with a value of RMB3.261 billion.

2. Analysis on principle operations and operating status during the Reporting Period

(1) Analysis on revenue from principal operations

In a volatile steel market in 2008, steel product price surged in string from January to June on soaring raw material prices. Both cost and price were on the high side. From July, steel product price started to slide. In mid October, price plummeted and our profit was skimmed dramatically. Under such market volatility, the Company adjusted production structure based on accurate forecast and analysis and strived to stabilize selling price. The Company attained increase in production and sale volumes as well as operating results. As at 31 December 2008, the revenue from principal operations of the Company under the PRC GAAP were RMB16,482,183,000, up 37.11% over 2007. Net profit was RMB598, 298,000, representing a year-on-year rise of 33.18%.

For the year 2008, the Company's revenue from principal operations amounted to RMB16,482,183,000, of which south-western region and other regions accounted for RMB8,212,311,000 and RMB8,269,872,000, representing a rise of 22.16% and 56.08% respectively over last year.

Region	**Revenue from principal operations** *(RMB'000)*	**Increase/decrease in revenue from principal operations from last year** *(%)*
South-western region	8,212,311	22.16
Other regions	8,269,872	56.08
Total	16,482,183	37.11

For the year 2008, the Company's revenue from principal operations amounted to RMB16,482,183,000, of which RMB15,939,311,000 was derived from sales of steel products (billets), representing 96.71% of the total revenue, up 39.08% over last year, and RMB542,872,000 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 3.29% of the total revenue, down 3.17% from last year.

Product	**2008** Amount	**2008** Percentage	2007 Amount	2007 Percentage	Year-on-year increase
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*	*(%)*
Steel plates	**7,415,739**	**44.99**	5,069,516	42.17	46.28
Steel billets	**1,782,887**	**10.82**	1,411,190	11.74	26.34
Steel sections	**4,183,558**	**25.38**	3,039,558	25.28	37.64
Wire rods	**2,164,677**	**13.13**	1,594,629	13.27	35.75
Cool-rolled plates	**392,450**	**2.39**	345,664	2.88	13.54
Subtotal	**15,939,311**	**96.71**	11,460,557	95.34	39.08
Others	**542,872**	**3.29**	560,638	4.66	-3.17
Total	**16,482,183**	**100.00**	12,021,195	100.00	37.11

In 2008, the sales revenue of the Company's steel products (billets) increased by RMB4,478,754,000 as compared with last year. The increase was attributable to (1) higher product price: during the year, the average selling price of steel products (including cool-rolled plates) was RMB4,962 per tonne, representing a rise of 29.66% from last year, which increased sales revenue by RMB4,107,174,000; (2) more production and sales volume: the Company sold 3,212,000 tonnes of steel products (billets), representing an increase of 70,700 tonnes over last year, which increased sales revenue by RMB371,580,000.

Sales price by products

Item	**2008**	2007	Year-on-year increase	Contribution to revenue increase
	RMB / tonnes	*RMB / tonnes*	*(%)*	*(RMB'000)*
Steel plates	**5,799**	4,391	32.07	1,801,386
Steel sections	**4,485**	3,234	38.68	1,166,808
Wire rods	**4,236**	3,157	34.18	551,369
Steel billets	**4,298**	3,073	39.86	508,130
Subtotal	**4,955**	3,634	36.35	4,027,693
Cool-rolled thin plates	**5,254**	4,190	25.39	79,481
Total	**4,962**	3,827	29.66	4,107,174

Sales volume by products

Item	**2008** *(0'000 tonnes)*	2007 *(0'000 tonnes)*	Year-on-year increase *(%)*	Contribution to revenue increase *(RMB'000)*
Steel plates	**127.88**	115.46	10.76	545,362
Steel sections	**93.27**	93.99	-0.77	-23,285
Wire rods	**51.10**	50.51	1.17	18,626
Steel billets	**41.48**	45.92	-9.67	-136,441
Subtotal	**313.73**	305.88	2.57	404,262
Cool-rolled plates	**7.47**	8.25	-9.45	-32,682
Total	**321.20**	314.13	2.25	371,580

(2) Analysis on operation

- Operating results of the Company during the Reporting Period

  The net profit of the Company amounted to RMB598,298,000 for the year 2008, increased by 33.18% from RMB449,244,000 in 2007.

Item	**Amount for 2008** *(RMB'000)*	Amount for 2007 *(RMB'000)*	Year-on-year increase/ decrease *(%)*
Operating income	**16,517,443**	12,058,453	36.98
Operating costs	**(13,865,367)**	(10,418,035)	33.09
Business taxes and surcharges	**(329)**	(372)	(11.56)
Total expenses	**(1,170,235)**	(1,115,500)	4.91
Impairment loss	**(872,438)**	(30,562)	2754.65
Investment income	**32**	—	—
Operating profit	**609,106**	493,984	23.30
Profit before taxation	**605,764**	470,234	28.82
Income tax expenses	**(7,466)**	(20,990)	(64.43)
Net profit	**598,298**	449,244	33.18

1) Gross profit from principal operations amounted to RMB2,645,965,000, up RMB1,013,208,000 over 2007, mainly attributable to rising prices of steel products.

By industry	Revenue from principal operations (RMB'000)	Cost of principal operations (RMB'000)	Gross profit margin (%)	Increase/ decrease in revenue from principal operations from last year (%)	Increase/ decrease in cost of principal operations from last year (%)	Increase/ decrease in gross profit margin from last year (%)
Iron & Steel industry	15,939,311	13,361,085	16.18	39.08	34.57	2.81
Steel plates	7,415,739	5,418,500	26.93	46.28	46.65	-0.19
Steel sections	4,183,558	3,842,707	8.15	37.64	31.00	4.65
Wire rods	2,164,677	2,049,082	5.34	35.75	33.30	1.74
Steel billets	1,782,887	1,645,644	7.70	26.34	19.69	5.13
Cool-rolled thin sheets	392,450	405,152	-3.24	13.54	4.25	9.19
Others	542,872	475,133	12.48	-3.17	3.37	-5.53
Total	16,482,183	13,836,218	16.05	37.11	33.19	2.47

During the year 2008, the average selling prices of the Company's steel products (billets) was RMB4,962 per tonne, representing an increase of 29.66% from last year, which increased profit by approximately RMB4,107,174,000. The rising prices of raw materials including ore, coal and scrap steel lessened the growth in the profit of the Company.

2) According to relevant requirements of accounting standards, the decreased profit for the period due to the Company's provision for assets impairment loss amounted to RMB872,438,000 in 2008, representing an increase of RMB841,876,000 over last year. In the wake of international financial crisis in the second half of 2008, market demand declined. Accordingly, the raw materials and products inventories devaluated as domestic raw materials and steel price plumped at the end of the year. Therefore, the decreased profit for the period due to the Company's provisions for diminution in value of inventories amounted to RMB785,520,000, representing an increase of RMB770,017,000 over same period last year.

3) The administrative expenses of the Company in 2008 was RMB656,453,000, decreased by RMB8,679,000 from last year, mainly attributable to: 1) repair expenses booked in administrative expenses decreased by RMB47,482,000 year-on-year; and 2) salaries and surcharges booked in administrative expenses in 2008 increased by RMB30,232,000 year-on-year.

4) Selling expenses of the Company for the year 2008 amounted to RMB258,939,000, representing an increase of RMB15,328,000 as compared with last year, which was mainly attributable to the increase in sales volume and in shipbuilding inspection expenses by RMB9,979,000 and transportation charges by RMB3,922,000 over 2007.

5) The financial costs of the Company in 2008 amounted to RMB254,843,000, increased by RMB48,086,000 over last year, mainly attributable to 1) high interest rate for the loan of the Company as a result of surging bank interest rate in 2007; and 2) more interest expense as long and short term borrowings of the Company increased by RMB1,366,729,000 as at 31 December 2008.

6) The income tax rate of the Company was 15% for the year 2008. The taxable income was RMB1,438,251,000. After deducting the income tax exemption for domestically produced equipment, the income tax payable of the Company was RMB129,523,000, up RMB104,142,000 from last year.

• Cash flow of the Company during the Reporting Period

During the year 2008, with the increase in sales, net cash flow from operating activities of the Company amounted to RMB483,509,000, together with the net cash flow of RMB909,380,000 from financing activities arising from bank borrowings, net cash equivalents of the Company for the current period increased by RMB175,971,000 after deducting net cash expenditure of RMB1,216,918,000 on the investment project such as hot rolled plates-strip project and wide-thick plates project.

• Liquidity, Financial Resources and Share Capital Structure of the Company

As at 31 December 2008, cash and bank balances of the Company were RMB1,203,661,000; balance of short-term loans amounted to RMB1,798,000,000 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 RMB2,324,076,000, which were mainly used for wide-thick plates 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 conducts negotiations for finance with financial institutions to maintain certain credit facilities so as to lower the liquidity risk.

As at 31 December 2008, the share capital structure of the Company was as follows:

Unit: RMB'000

Item	**Amount**	**Item**	**Amount**
Current assets	5,292,653	Current liabilities	3,999,173
Non-current assets	7,132,315	Non-current liabilities	2,780,849
Total assets	12,424,968	Shareholders' equity	5,644,946

As at 31 December 2008, the total assets of the Company amounted to RMB12,424,968,000, representing a year-on-year increase of 13.22%. The total liabilities amounted to RMB6,780,022,000 while the gearing ratio was 54.57%. Current assets amounted to RMB5,292,653,000; current liabilities amounted to RMB3,999,173,000; current ratio was 1.32.

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

Current ratio = current assets/current liabilities

- Pledge of Assets

  No asset was pledged by the Company for bank loans as at 31 December 2008.

- Capital Commitments and Contingent Liability

  As at 31 December 2008, capital commitments of the Company amounted to RMB2,758,657,000, which was mainly attributable to the construction and equipment contracts entered into for the hot-rolled plates-strip project and wide-thick plates 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. **Analysis on financial position**

(1) Items of balance sheet

Unit: RMB'000

Item	At the end of 2008	At the end of 2007	Year-on-year increase/ decrease (%)	Percentage in total assets for the year (%)
Accounts receivable	**210,035**	146,886	42.99	1.69
Prepayments	**266,343**	1,053,169	(74.71)	2.14
Other receivables	**24,420**	18,627	31.10	0.20
Construction in progress	**532,703**	124,830	326.74	4.29
Construction materials	**1,185,619**	22,777	5105.33	9.54
Intangible assets	**251,050**	25,820	872.31	2.02
Deferred tax assets	**129,386**	7,329	1665.40	1.04
Accounts payable	**602,113**	1,411,961	(57.36)	4.85
Employee benefits payable	**39,963**	21,747	83.76	0.32
Taxes payable	**189,227**	78,461	141.17	1.52
Interest payable	**4,510**	2,342	92.57	0.04
Other payables	**261,353**	71,261	266.75	2.10
Non-current liabilities due within one year	**440,000**	286,000	53.85	3.54
Long-term loans	**2,324,076**	1,188,747	95.51	18.70
Other non-current liabilities	**456,773**	112,284	306.80	3.68

Explanations:

1) The increase in accounts receivable was mainly attributable to the increase in receivables for sales of products as a result of more sales revenue in 2008.

2) The decrease in prepayment was mainly attributable to the following reasons: 1) project advance payment of RMB487,336,000 for hot rolled plates-strip project and wide-thick plates project was transferred to construction material from prepayment according to their construction progress in 2008; and 2) RMB230,000,000 of prepaid land grant fee of hot rolled plates-strip project was transferred to intangible assets from prepayment as land certificate was obtained in 2008, leading to an increase in intangible assets at the same time.

3) The increase in construction in progress and construction materials was mainly attributable to increased construction, installation and design expenses as the hot rolled plates-strip project and wide-thick plates project entered into full construction stage in 2008.

4) The increase in deferred income tax assets was mainly attributable to provision of impairment loss on asset of RMB872,438,000 made by the Company in 2008, up RMB841,876,000 from last year.

5) The decrease in accounts payable was mainly attributable to: 1) timely payment for goods by the Company amid favourable market environment from January to September 2008; 2) shrinking production scale and procurement in the wake of weakening steel market from October to December 2008.

6) The increase in employee benefits payable was mainly attributable to increased employee compensation payable at end of the period thanks to improved operating performance in 2008 since Performance-linked salary system was implemented by the Company.

7) The increase in taxes payable was mainly attributable to: 1) more income taxes payable due to increased profit in 2008; 2) more value added tax as a result of increased sales revenue in 2008.

8) The increase in interest payable was mainly attributable to increased borrowing facilities with different interest period for the Company's borrowings.

9) The increase in other payables was mainly attributable to increased payables due to affiliate companies as at the end of 2008.

10) The increase in non-current liabilities due within one year and long-term loans was mainly attributable to increased long-term loans from financial institutions.

11) The increase in other non-current liabilities was mainly attributable to receipt of long term advance from customers in 2008.

(2) Items of income statement (please see the section headed "Operating results of the Company during the Reporting Period" under "2. Analysis on Principle Operations and Operating Status during the Reporting Period")

(3) Items of cash flow statement

Unit: RMB'000

Item	**2008**	2007	**Main Reasons for the changes**
Net cash flow from operating activities	**483,509**	479,983	No significant change in this item in 2008 as compared to 2007.
Net cash flows from investing activities	**(1,216,918)**	(975,217)	Mainly attributable to more capital expenditure as hot rolled plates-strip project and wide-thick plates project entered into full construction stage.
Net cash flows from financing activities	**909,380**	1,152,544	Mainly attributable to large cash flow from additional issue of A share in 2007 and new borrowings in 2008.
Net increase of cash and cash equivalents	**175,971**	657,310	The decrease in net increase of cash and cash equivalents was mainly attributable to increased net cash outflow from investing activities and decreased net cash inflow from financing activities.

(II) PROSPECTS

In 2009, in order to offset impact from the global financial crisis, China executed active fiscal policy and ease monetary policy to "preserve growth, expand domestic demand and amend structure". The government also rolled out RMB4 trillion stimulus package and pump-primping plans covering nine industries including steel, all of which will help economic growth. As macro economic policies kick in, national economy is likely to bottom out in second half of 2009. Though market demand, surplus capacity, upstream raw material prices are still uncertainties that cast shadow on profitability of steel industry, the industry is about to welcome restructuring opportunities.

In 2009, the Company is to rake active measures against external adversities, with realigned product mix and stricter internal control to promote a healthy growth. In this regard, we will: (1) enhance market analysis, formulate adaptive sales strategy and promote marketing of products; (2) optimize raw material supply, stabilize production and cut down raw material procurement cost; (3) coordinate production and sales, optimize production scheduling and overweight profitable products; (4) continue technology research, improve technical and economic indicators and product quality; (5) strive for better resource utilization, continue to save energy and reduce consumption and achieve higher cost-effectiveness.

IV. OTHER ISSUES

(I) Compliance with Code on Corporate Governance Practices

With comparing with provisions from the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"), Directors of the Company were 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 during the reporting period.

(II) Securities transactions by Directors

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

(III) Purchase, Sale or Redemption of the Company's Securities

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

(IV) Audit Committee

The Audit Committee of the Company has reviewed the Company's annual results for the year ended 31 December 2008.

(V) Environmental Relocation by the Holding Company

The Company was advised by the Holding Company, that under the requirements of energy saving and emission reduction, industrial layout and planning of Chongqing municipal government, the Holding Company would start its environmental relocation strategy to relocate its principal operations from Dadukou District of Chongqing City to Jiangnan Town, Changshou District of Chongqing City ("Changshou New Zone"). Therefore, the Board of the Company made announcements in relation to the Environmental Relocation by the Holding Company on 26 August 2008 and 22 December 2008 (For details, please refer to the Company's announcements published on China Securities Journal, Shanghai Securities News, Securities Times, Hong Kong Wen Wei Po, China Daily, and the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange on 27 August 2008 and 23 December 2008).

Publication of the Annual Report for the year ended 31 December 2008 on the Website of the Stock Exchange of Hong Kong Limited

The annual report of the Company for the year ended 31 December 2008 will be published on the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.cqgt.cn) respectively in due course.

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

Chongqing, the PRC
31 March 2009

As at the date of this announcement, the Directors of the Company are: Mr. Luo Fu Qin, Mr. Yuan Jin Fu, Mr. Chen Shan, Mr. Sun Yi Jie, Mr. Chen Hong, Mr. 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.

ATTACHMENT: THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 PREPARED UNDER THE PRC GAAP AND THE DIFFERENCE BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Balance sheet as at 31 December 2008

(Expressed in thousands of renminbi yuan)

	2008	2007
Assets		
Current assets		
Cash at bank and on hand	**1,203,661**	1,093,879
Bills receivable	**509,457**	496,769
Accounts receivable	**210,035**	146,886
Prepayments	**266,343**	1,053,169
Other receivables	**24,420**	18,627
Inventories	**3,057,732**	2,660,245
Other current assets	**21,005**	15,510
Total current assets	**5,292,653**	5,485,085
Non-current assets		
Long-term equity Investments	**5,000**	5,000
Fixed assets	**4,985,807**	5,249,670
Construction in progress	**532,703**	124,830
Construction materials	**1,185,619**	22,777
Intangible assets	**251,050**	25,820
Deferred tax assets	**129,386**	7,329
Other non-current assets	**42,750**	53,600
Total non-current assets	**7,132,315**	5,489,026
Total assets	**12,424,968**	10,974,111

Balance sheet as at 31 December 2008 *(continued)*

(Expressed in thousands of renminbi yuan)

	2008	2007
Liabilities and shareholders' equity		
Current liabilities		
Short-term loans	**1,798,000**	1,720,600
Accounts payable	**602,113**	1,411,961
Advance from customers	**664,007**	860,747
Employee benefits payable	**39,963**	21,747
Taxes payable	**189,227**	78,461
Interest payable	**4,510**	2,342
Other payables	**261,353**	71,261
Non-current liabilities due within one year	**440,000**	286,000
Total current liabilities	**3,999,173**	4,453,119
Non-current liabilities		
Long-term loans	**2,324,076**	1,188,747
Other non-current liabilities	**456,773**	112,284
Total non-current liabilities	**2,780,849**	1,301,031
Total liabilities	**6,780,022**	5,754,150
Shareholders' equity		
Share capital	**1,733,127**	1,733,127
Capital reserve	**1,164,384**	1,164,384
Surplus reserve	**566,679**	506,849
Retained earnings	**2,180,756**	1,815,601
Total equity	**5,644,946**	5,219,961
Total liabilities and shareholders' equity	**12,424,968**	10,974,111

Income statement for the year ended 31 December 2008

(Expressed in thousands of renminbi yuan)

	2008	2007
Operating income	**16,517,443**	12,058,453
Less: Operating costs	**13,865,367**	10,418,035
Business taxes and surcharges	**329**	372
Selling and distribution expenses	**258,939**	243,611
General and administrative expenses	**656,453**	665,132
Financial expenses	**254,843**	206,757
Impairment loss	**872,438**	30,562
Add: Investment income	**32**	—
Operating profit	**609,106**	493,984
Add: Non-operating income	**5,614**	11,403
Less: Non-operating expenses	**8,956**	35,153
(Including: Losses from disposal of non-current assets)	**4,115**	22,235
Profit before income tax	**605,764**	470,234
Less: Income tax expenses	**7,466**	20,990
Net profit for the year	**598,298**	449,244
Earnings per share		
Basic earnings per share *(RMB)*	**0.35**	0.27
Diluted earnings per share *(RMB)*	**0.35**	0.27

Cash flow statement for the year ended 31 December 2008

(Expressed in thousands of renminbi yuan)

	2008	2007
Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	**19,814,449**	14,433,123
Other cash received relating to operating activities	**69,479**	23,669
Subtotal of cash inflows	**19,883,928**	14,456,792
Cash paid for goods and services	**(17,630,433)**	(12,515,357)
Cash paid to and for employees	**(865,698)**	(691,510)
Cash paid for all types of taxes	**(827,925)**	(651,210)
Other cash paid relating to operating activities	**(76,363)**	(118,732)
Subtotal of cash outflows	**(19,400,419)**	(13,976,809)
Net cash inflow from operating activities	**483,509**	479,983
Cash flows from investing activities:		
Cash received from disposal of investments	**50,000**	—
Cash received from return on investments	**32**	—
Net cash received from disposal of fixed assets	**7,429**	2,027
Other cash received relating to investing activities	**10,122**	8,918
Subtotal of cash inflows	**67,583**	10,945
Cash paid for acquisition of fixed assets and intangible assets	**(1,234,501)**	(986,162)
Cash paid for acquisition of investments	**(50,000)**	—
Subtotal of cash outflows	**(1,284,501)**	(986,162)
Net cash outflow from investing activities	**(1,216,918)**	(975,217)

Cash flow statement for the year ended 31 December 2008 ***(continued)***

(Expressed in thousands of renminbi yuan)

	2008	2007
Cash flows from financing activities:		
Cash received from investors	**—**	977,260
Cash received from borrowings	**3,820,428**	3,337,265
Subtotal of cash inflows	**3,820,428**	4,314,525
Cash repayments of borrowings	**(2,436,600)**	(2,782,226)
Cash paid for dividends or interest	**(474,448)**	(378,169)
Other cash paid relating to financing activities	**—**	(1,586)
Subtotal of cash outflows	**(2,911,048)**	(3,161,981)
Net cash inflow from financing activities	**909,380**	1,152,544
Net increase in cash and cash equivalents	**175,971**	657,310
Add: cash and cash equivalents at the beginning of the year	**971,082**	313,772
Cash and cash equivalents at the end of the year	**1,147,053**	971,082

Reconciliation statements of differences in financial statements prepared under different GAAP

The effect of the significant differences between CAS (2006) and Hong Kong Financial Reporting Statement ("HKFRS") on profit attributable to shareholders of the Company is analysed as follows:

	2008	2007
	RMB'000	*RMB'000*
Amount under CAS (2006):	**598,298**	449,244
Adjustments:		
a. Government grants for year 2006	**538**	538
b. Others	**—**	(1,102)
Total	**538**	(564)
Amount under HKFRS	**598,836**	448,680

Under HKFRS, the government grants related to assets shall be recognised as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. The Company began adopting the CAS (2006) from 1 January 2007 ("first adoption date"). In accordance with CAS (2006), before the first adoption date, government grants were recognised in capital reserve once they complied with the conditions associated. After the first adoption date, such government grants are recognised initially as deferred income and equally recognised in profit or loss over the useful life of the asset. No retrospective adjustment has been made by the Company for the change of accounting policy on government grants.

The effect of the significant difference between CAS (2006) and HKFRS on equity attributable to shareholders of the Company is analysed as follows:

	2008	2007
	RMB'000	*RMB'000*
Amount under CAS (2006)	**5,644,946**	5,219,961
Adjustments:		
a. Government grants for year 2006	**(17,684)**	(18,222)
Total	**(17,684)**	(18,222)
Amount under HKFRS	**5,627,262**	5,201,739