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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 INTERIM RESULTS (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2009

The board of directors (the "Board") of Chongqing Iron & Steel Company Limited (the "Company") wishes to present the unaudited interim results of the Company for the six months ended 30 June 2009, together with the comparative figures for the same period of 2008. This interim results announcement 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 Accounting Standards)

I. MAJOR FINANCIAL INFORMATION PREPARED UNDER THE HONGKONG FINANCIAL REPORTING STANDARDS

(1) STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Sales	2	**5,241,984**	8,827,022
Cost of goods sold		**(4,710,698)**	(7,684,404)
Gross profit		**531,286**	1,142,618
Other gains-net		**13,064**	13,154
Selling and marketing costs		**(139,233)**	(128,949)
Administrative expenses		**(247,873)**	(402,859)
Operating profit		**157,244**	623,964
Finance costs		**(116,106)**	(128,616)
Profit before income tax		**41,138**	495,348
Income tax expense	6	**(9,037)**	(11,144)
Profit for the period		**32,101**	484,204
Other comprehensive income for the period (after taxation and reclassification adjustments)		**—**	—
Total comprehensive income for the period		**32,101**	484,204

Profit/total comprehensive income attributable to equity shareholders of the Company		**32,101**	484,204
Earnings per share for profit attributable to the Company's shareholders during the period:			
— basic and diluted	7	**RMB0.019**	RMB0.279

(2) BALANCE SHEET

at 30 June 2009

	Note	**30 June 2009** ***RMB'000***	31 December 2008 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**7,106,602**	6,704,129
Land use right		**248,445**	251,050
Available-for-sale financial asset		**5,000**	5,000
Deferred income tax assets		**120,349**	129,386
Trade and other receivables	3	**39,150**	42,750
Total non-current assets		**7,519,546**	7,132,315
Current assets			
Inventories		**2,917,238**	3,057,732
Trade and other receivables	3	**1,610,430**	1,031,260
Restricted cash		**9,767**	56,608
Cash and cash equivalents		**982,047**	1,147,053
Total current assets		**5,519,482**	5,292,653
Total assets		**13,039,028**	12,424,968

	Note		
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,733,127**	1,733,127
Other reserves		**1,677,009**	1,677,009
Retained earnings			
— Proposed interim/final dividend		**—**	173,313
— Others		**2,075,914**	2,043,813
Total equity		**5,486,050**	5,627,262
LIABILITIES			
Non-current liabilities			
Trade and other payables	4	**729,061**	440,000
Borrowings		**1,699,914**	2,324,076
Deferred income		**35,055**	34,457
Total non-current liabilities		**2,464,030**	2,798,533
Current liabilities			
Trade and other payables	4	**1,579,405**	1,682,089
Borrowings		**3,508,278**	2,238,000
Current taxation		**1,265**	79,084
Total current liabilities		**5,088,948**	3,999,173
Total liabilities		**7,552,978**	6,797,706
Total equity and liabilities		**13,039,028**	12,424,968
Net current assets		**430,534**	1,293,480
Total assets less current liabilities		**7,950,080**	8,425,795

(3) CONDENSED CASH FLOW STATEMENT

for the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Cash (used in)/generated from operations	**(90,141)**	472,557
Income tax paid	**(77,819)**	(300,816)
Net cash (used in)/generated from operating activities	**(167,960)**	171,741
Net cash flows used in investing activities	**(502,562)**	(597,223)
Net cash flows generated from financing activities	**505,516**	892,337
Net (decrease)/increase in cash and cash equivalents	**(165,006)**	466,855
Cash and cash equivalents at 1 January	**1,147,053**	971,082
Cash and cash equivalents at 30 June	**982,047**	1,437,937

NOTES:

1. SEGMENT INFORMATION

As the Company's chief operating decision maker makes decision about resources allocation and performance assessment based on the entity-wide financial information, there is only one single reportable segment for the Company.

2. SALES

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

	Six months ended 30 June	
	2009	2008
Steel products	**5,022,238**	8,542,308
By products	**219,746**	284,714
	5,241,984	8,827,022

The Company's customers are all based in China and there was no individual customer with whom transactions have exceeded 10% of the Company's sales for the six months ended 30 June 2009.

3. TRADE AND OTHER RECEIVABLES

	Note	30 June 2009 RMB'000	31 December 2008 RMB'000
Notes receivables		**768,938**	411,614
Accounts receivable	(a)	**341,346**	246,485
Trade receivables		**1,110,284**	658,099
Less: provision for impairment		**(144,562)**	(144,562)
Trade receivables — net		**965,722**	513,537
Receivables from fellow subsidiaries of the Holding Company	(b)	**218,596**	216,034
Less: provision for impairment		**(10,079)**	(10,079)
Receivables from fellow subsidiaries of the Holding Company — net		**208,517**	205,955
Prepayments and deposits		**408,051**	309,093
Other receivables		**74,008**	52,143
Less: provision for impairment		**(6,718)**	(6,718)
Other receivables — net		**67,290**	45,425
		1,649,580	1,074,010
Less non-current portion: prepayment to a supplier		**(39,150)**	(42,750)
Current portion		**1,610,430**	1,031,260

(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 30 June 2009 is as follows:

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Within 3 months	**193,644**	99,529
Between 3 months and 1 year	**2,019**	767
Between 1 and 2 years	**1,490**	1,800
Between 2 and 3 years	**125**	629
Over 3 years	**144,068**	143,760
	341,346	246,485

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 30 June 2009 is as follows:

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Within 3 months	**165,510**	160,756
Between 3 months and 1 year	**35,318**	37,938
Between 1 and 2 years	**475**	47
Between 2 and 3 years	**377**	1,514
Over 3 years	**16,916**	15,779
	218,596	216,034

4. TRADE AND OTHER PAYABLES

	Note	**30 June 2009** *RMB'000*	31 December 2008 *RMB'000*
Trade payables	(a)	**577,820**	602,113
Advances from customers		**1,360,180**	1,104,007
Amounts due to the Holding Company and its subsidiaries		**112,103**	207,580
Value added tax and other tax payables		**8,437**	110,143
Salaries payable		**31,740**	39,963
Deposits from customers		**8,456**	6,411
Dividend payable		**173,313**	—
Other payables		**36,417**	51,872
		2,308,466	2,122,089
Less non-current portion:			
— Advances from customers		**(729,061)**	(440,000)
Current portion		**1,579,405**	1,682,089

(a) The ageing analysis of trade payables as at 30 June 2009 is as follows:

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Within 6 months	**492,368**	494,650
Between 6 months and 1 year	**15,865**	32,340
Between 1 and 2 years	**14,047**	26,945
Between 2 and 3 years	**26,694**	21,179
Over 3 years	**28,846**	26,999
	577,820	602,113

5. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Depreciation	**149,798**	158,311
Amortisation	**2,605**	2,218
Provision for impairment of receivables	**—**	256
Provision for impairment of inventories	**—**	25,886
Provision for impairment of property, plant and equipment	**—**	68,483
Staff costs	**298,536**	405,784
Raw materials and consumables used	**3,950,603**	6,915,817
Maintenance expenses	**137,281**	161,587
Rental for land use rights	**9,000**	9,000
Transportation expenses	**148,457**	137,927

6. INCOME TAXES EXPENSE

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Current PRC income tax	**—**	25,381
Deferred income tax	**9,037**	(14,237)
	9,037	11,144

In April 2003, the Company obtained the Reply to Application of Preferential Enterprise Income Tax for Enterprises in Western Development by Chongqing Iron & Steel Company Limited (Yu Guo Shui Han [2003] No. 57) issued by the State Administration of Taxation of Chongqing on 17 February 2003 and the Reply to Application of Preferential Enterprise Income Tax for Enterprises in Western Development by Chongqing Iron & Steel Company Limited (Da Dukou Guo Shui Han [2003] No. 8) issued by the State Administration of Taxation of Da Dukou District, Chongqing on 21 February 2003. In accordance with these approvals, the Company is entitled to the preferential income tax policy applicable to enterprises in the western development region and its income tax rate is reduced to 15% for the period from 2001 to 2010.

Enterprise Income Tax Law of the PRC ("new PRC EIT law") has been approved by the 5th Session of the 10th National People's Congress on 16 March 2007, and came into effect on 1 January 2008. According to the Notice by the PRC State Council on the Implementation of the Grandfathering Preferential Policies under the PRC Enterprise Income Tax Law (Guo Fa No. [2007] 39) issued by the State Council on 2 December 2007, the new PRC EIT law provides that, as from 1 January 2008, the enterprises that have been granted tax concessions under the tax preferential policies in the development of China's western region shall continue to enjoy the tax concessions until the expiry day in accordance with the tax preferences under the old income tax laws, regulations and relevant provisions. Therefore, the income tax rate applicable to the Company is still 15% from 1 January 2008 to 31 December 2010.

No Hong Kong profits tax has been provided as the Company had no taxable profits in Hong Kong for the periods presented.

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company of RMB32,101,000 (six months ended 30 June 2008: RMB484,204,000) by the weighted average number of ordinary shares in issue during the six months ended 30 June 2009 of 1,733,127,200 shares (six months ended 30 June 2008: 1,733,127,200 shares).

Diluted earnings per share equals to basic earnings per share as there are no potential dilutive shares outstanding for the periods presented.

8. DIVIDENDS

(a) 2008 dividend

During the Annual General Meeting of shareholders on 1 June 2009, it was resolved to declare dividend in respect of 2008 of RMB0.10 per share (2007: RMB0.10 per share), totalling RMB173.313 million (2007: RMB173.313 million). The allocation basis of the dividend being distributed to the shareholders is based on the number of shares in issue of 1,733.127 million as at 31 December 2008.

(b) Interim dividend

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

9. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRS and new Interpretations that are first effective for the current accounting period of the Company. Of these, the following developments are relevant to the Company's financial statements:

- HKRS 8, Operating segments
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKFRS 7, *Financial instruments: Disclosures - improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*

The amendments to HKAS 23 and improvements to HKFRSs (2008) have had no material impact on the Company's financial statements as the amendments were consistent with policies already adopted by the Company. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Company's chief operating decision maker regards and manages the Company, with the amounts reported for each reportable segment being the measures reported to the Company's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Company's financial statement into segments based on related products and services and on geographical areas.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised statement of changes in equity. All other items of income and expenses recognised as part of profit or loss or taken directly to equity for the period are presented in the statement of comprehensive income. The new format for the statement of comprehensive income and the statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

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

1. Overall operation status of the Company during the reporting period

The first half of 2009 witnessed a global economic recession as the financial crisis struck worldwide. Domestic steel product exports sharply contracted as the global market demand for steels dropped and prices plunged. Meanwhile, the domestic economy has driven the domestic steel product market to falter as it was in the end of 2008 and the demand for steel in the downstream industry saw significant decline, resulting in keen market competitions. In response to the unfavorable conditions upon the financial turmoil, proactive fiscal measures and loosened monetary policies were put into action by the State. As the state-controlled policies of "expanding domestic demand, maintaining growth, adjusting structure and promoting development" began to take effect gradually, the slackening national economy has been back in the saddle. Infrastructural construction has scaled up progressively and the construction steel product sectors has turned resilient. During the reporting period, the Company has overcome problems including the drop in product prices, increasing difficulties for product sales and decent prospect for reducing raw materials cost, aspiring to reduce cost of processes and apply tight control on fees and expenses. Sales revenue amounted to RMB5,241,984,000 and earnings before tax amounted to RMB40,659,000, representing a decrease of 40.61% and 91.79% from the same period last year, respectively.

During the reporting period, the Company controlled its production scale with reference to the market demand, aligned workflows in a more balanced manner, facilitated more organized production of each type of products and arranged examination and maintenance of its equipment as appropriate to effect and smoothen the operation of its production system. In the first half of 2009, the Company produced an aggregate of 664,900 tonnes of coke, 1,444,700 tonnes of pig iron, 1,599,800 tonnes of steels and 1,494,300 tonnes of steel products (billets), representing a decrease of 3.64%, 3.69%, 8.59% and 11.87% as compared with the same period last year, respectively.

During the reporting period, the Company proactively adjusted its sales strategies against the market downturn, which successfully secured production and boosted sales. Since the beginning of the year, the Company leveraged on the rally of the construction steel market to increase the sales proportion of construction steel products, premium steels and steel bars (優鋼棒材). As to medium-gauge plates and steel sections, it adopted the sales strategy of "bargain per order" to secure sales of products. In order to reinforce the sales of major products, the Company seized initiative to seek new strategic clients apart from facilitating its communications with retained strategic clients.

During the reporting period, taking advantage of the price of raw materials which fell in line with that of steel products, the Company controlled the inventory level and modulated procurements of raw materials as appropriate, aspiring for low-cost purchase. Meanwhile, the Company reaped benefits from low ocean freight cost and imported ore spot price to expand the proportion of imported iron ores. Measures such as allocation of regional coals by piles (地方煤單堆單配) as well as expansion of regional coal supply and shipping capacities were implemented to constrain the cost incurred by raw materials procurement.

During the reporting period, the Company actively developed new products and endeavored to expand its market share. With reference to the needs of the market and the users, the Company developed new products, namely S275NL low-alloy high strength structural steel plates (低合金高強度結構鋼板) and Q420B hot-rolled equilateral angle steel (熱軋等邊角鋼). The S275NL steel plates are mainly used for the construction of bridges and hydraulic structures and for the purpose of inventories and devices manufacturing (儲存裝置製作). The Q420B equilateral steel is mainly used for the construction of towers of 750KV and 1,000KV high-voltage electricity transmission system (超高壓輸變電系統). In the first half of 2009, the pilot production of new products and specialized products of the Company totaled 299,200 tonnes, with a value of RMB 1.031 billion.

2. Analysis of principal businesses during the reporting period

As at 30 June 2009, the Company's principal revenue amounted to RMB5,241,984,000, representing a year-on-year decrease of 40.61%; Profit before tax amounted to RMB40,659,000, representing a year-on-year decrease of 91.79%.

In the first half of 2009, the Company's principal revenue in south-west region amounted to RMB3,432,172,000, representing a year-on-year decrease of 17.47%; the Company's principal revenue in other regions amounted to RMB1,809,812,000, representing a year-on-year decrease of 61.23%.

Region	**Revenue from principal operations** *(RMB'000)*	**Year-on-year increase/decrease in revenue from principal operations** *(%)*
South-west region	3,432,172	(17.47)
Other regions	1,809,812	(61.23)
Total	5,241,984	(40.61)

In the first half of 2009, sales of the Company's steel products (billets) amounted to RMB5,022,238,000, representing 95.81% of the total revenue, down 41.21% over the same period last year; sales of coking by-products, cutting steel leftover and hydroelectricity of the Company amounted to RMB219,746,000, which accounted for 4.19% of the total revenue, down 22.82% from the same period last year.

Turnover	First half of 2009 RMB'000	Percentage (%)	First half of 2008 RMB'000	Percentage (%)	Year-on-year increase/ decrease (%)
Steel plates	**2,190,074**	**41.78**	3,786,544	42.90	(42.16)
Steel sections	**1,613,343**	**30.78**	2,300,360	26.06	(29.87)
Wire rods	**803,464**	**15.33**	1,207,769	13.68	(33.48)
Steel billets	**309,754**	**5.91**	1,015,283	11.50	(69.49)
Cool rolled plates	**105,603**	**2.01**	232,352	2.63	(54.55)
Subtotal	**5,022,238**	**95.81**	8,542,308	96.77	(41.21)
Others	**219,746**	**4.19**	284,714	3.23	(22.82)
Total	**5,241,984**	**100.00**	8,827,022	100.00	(40.61)

In the first half of 2009, the sales revenue of the Company's steel products (billets) decreased by RMB3,520,070,000 as compared with the same period last year, which was attributable to the decrease in price, production and sales volume. In the first half of 2009, the average selling prices of steel products (billets) was RMB3,358 per tonne, representing a decrease of 32.96% from the same period of last year which decreased sales revenue by RMB2,560,621,000. Meanwhile, the Company sold 1,495,600 tonnes of steel products (billets), representing a decrease of 12.31% over the same period of last year which decreased sales revenue by RMB959,449,000.

Selling price

Selling price	First half of 2009 (RMB/tonne)	First half of 2008 (RMB/tonne)	Year-on-year Increase/ decrease (%)	Year-on-year Decrease in revenue (RMB'000)
Steel plates	**3,496**	5,722	(38.90)	1,393,060
Steel sections	**3,305**	4,719	(29.96)	690,173
Wire rods	**3,151**	4,439	(29.02)	328,440
Steel billets	**3,155**	4,215	(25.15)	104,092
Cool rolled plates	**3,777**	5,379	(29.78)	44,856
Total	**3,358**	5,009	(32.96)	2,560,621

Sales volume

Sales volume	**First half of 2009** ***(10,000 tonne)***	First half of 2008 *(10,000 tonne)*	Year-on-year Increase/ decrease *(%)*	Decrease in revenue *(RMB'000)*
Steel plates	**62.63**	66.18	(5.36)	203,131
Steel sections	**48.81**	48.75	0.12	(2,831)
Wire rods	**25.5**	27.21	(6.28)	75,907
Steel billets	**9.82**	24.09	(59.24)	601,481
Cool rolled plates	**2.8**	4.32	(35.19)	81,761
Total	**149.56**	170.55	(12.31)	959,449

3. Operating results during the reporting period

In the first half of 2009, the Company's profit before tax amounted to RMB40,659,000, representing a decrease of RMB454,420,000 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 revenue from principal operations** *(%)*	**Year-on-year increase/ decrease in cost of principal operations** *(%)*
Steel plates	2,190,074	1,907,785	12.89	(42.16)	(34.99)
Steel sections	1,613,343	1,461,517	9.41	(29.87)	(30.71)
Wire rods	803,464	730,451	9.09	(33.48)	(36.86)
Steel billets	309,754	283,728	8.40	(69.49)	(71.81)
Cool rolled plates	105,603	122,799	(16.28)	(54.55)	(47.42)
Subtotal	5,022,238	4,506,280	10.27	(41.21)	(39.44)
Others	219,746	204,277	7.04	(22.82)	(16.19)
Total	5,241,984	4,710,557	10.14	(40.61)	(38.70)

(1) During the first half of 2009, gross profit from principal operations amounted to RMB531,427,000, representing a decrease of RMB611,354,000 over the same period last year, mainly due to:

(i) During the first half of 2009, due to the set back in the national steel market and the steel price staying low, the average selling price of steel products (billets) was RMB3,358/tonne, representing a decrease of 32.96% from the same period last year, which reduced profit by approximately RMB2,560,621,000;

(ii) Due to lackluster market demand of steel in the first half of the year, the Company set certain limit to the size of production volume for the assurance of moderate bulk production. The sales volume of the Company's steel products (billets) for the first half of 2009 amounted to 1,495,600 tonnes, representing a decrease of 12.31% from the same period last year, which reduced profits by approximately RMB135,603,000;

(iii) Due to the price fall of raw materials such as ore, pig iron, ferroalloy, coal and scrap steel as compared to the same period last year, the cost of raw materials of the Company decreased by approximately RMB1,903,450,000;

(iv) Continuous meticulous management, improvement of efficiency and exploration of potential resources and workflow cost reduction of the Company increased profits by approximately RMB102,450,000 during the first half of 2009;

(v) Due to the continuous sluggish market condition of steel products and decreased operating efficiency, salaries and surcharges booked in cost of sales in the first half of 2009 decreased by RMB75,020,000 as compared to the same period last year.

(2) Due to the provision for impairment loss of assets of RMB94,625,000 made by the Company for damaged fixed assets which are to be disposed and obsolete spare parts during the same period last year, profits for the first half of 2009 increased by RMB94,625,000 as compared to the same period last year.

(3) During the first half of 2009, expenses decreased by RMB57,236,000 as compared to the same period last year, which was mainly due to the decrease in salaries and surcharges booked in general and administrative expenses as compared to the same period last year owing to the implementation of the performance-linked salary system to improve the decrease in efficiency of the Company as a whole in the first half of the year. Furthermore, maintenance expenses decreased through improvement in the inspection system of equipments and fully tapping the potential of internal maintenance.

4. Analysis on financial condition during the reporting period

(1) As at 30 June 2009, the Company's total assets amounted to RMB13,039,028,000 and the total liabilities amounted to RMB7,535,773,000, with a gearing ratio of 57.79%. The current assets amounted to RMB5,519,482,000 while the current liabilities amounted to RMB5,088,948,000. The current assets/current liabilities ratio was 108.46%.

(2) In the first half of 2009, due to the decrease in revenue of the Company owing to the plunging steel prices, net cash outflow from operating activities amounted to RMB167,960,000 while net cash inflow from financing activities was RMB505,516,000. The Company's current cash and cash equivalents decreased by RMB165,006,000 after deducting net cash expenditure of RMB502,562,000 attributed to investment project including the construction of hot-rolled plates and wide-thick plates projects by the Company. As at 30 June 2009, the Company's bank balances and cash amounted to RMB982,047,000.

III. PROSPECT

In the second half of 2009, the state will give precedence to fostering stead-fast economic growth on its economic agenda, moving ahead to roll out active fiscal policies and ease monetary policies in moderate terms. Given strong investment gains from domestic fixed assets, the recovery of the property sector, coupled with positive upturn in sectors such as automobile, home appliances and machine manufacturing, the demand for domestic steel products will pick up in the second half. However, due to the lack of external demand, restricted steel exports, surplus capacity of domestic iron and steels and structural over-supply of steel products, the steel product price is poised to surge but to a limited extent. In the second half of the year, the Company will continue to improve its market intelligence and analysis to actively tackle market changes and aspire for maximized product sales to meet its fundamental target to increase earnings on top of that of the first half. It will also reinforce its production for profitable products, strengthen maintenance of its equipment to ensure smooth production. Going forward, it will leverage on the market sentiment of raw materials and bring forth favorable strategies for raw materials procurement to reduce costs in this respect. On the other hand, it will also complete the pilot production of 4,100mm wide-thick plates project in Changshou New Zone to lay foundation for the implementation of the environmental relocation strategy of the Company.

IV. WARNINGS AND EXPLANATIONS OF ESTIMATED LOSS IN TOTAL NET PROFIT FROM THE BEGINNING OF THE YEAR TO THE END OF THE NEXT REPORTING PERIOD OR POSSIBLE SUBSTANTIAL CHANGES AS COMPARED WITH THE SAME PERIOD LAST YEAR

As the Company's profit before tax for the first half of 2009 decreased by 91.79% as compared to the same period last year, the third-quarter results remains uncertain. It is estimated that even though efficiency may pick up, such increase is not enough to compensate for the loss in efficiency for the first half. Thus, the Company's total net profit from the beginning of the year to the end of the next reporting period (being the third-quarter reporting period for the nine months ended 30 September 2009) is expected to drop sharply as compared to the same period last year.

V. OTHER ISSUES

(1) Compliance with the Code on Corporate Governance Practices

The Directors of the Company are 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 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 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) Explanation on Changes in Applicable Accounting Policies under PRC Accounting Standards

1 Description of and reasons for changes in accounting policies

The Ministry of Finance issued No. 3 Explanatory Guidance of Accounting Standards for Business Enterprises ("No. 3 Explanatory Guidance"), stipulating that, except for those issues requiring retrospective adjustments, other stipulations shall become effective from 1 January 2009. In accordance with the requirements of No. 3 Explanatory Guidance, the following changes have been made to the Company's major accounting policies:

— Presentation of the income statement

According to No. 7 Q&A of No. 3 Explanatory Guidance, enterprises should present "other comprehensive income" and "total comprehensive income" under "earnings per share" in the income statement. "Other comprehensive income" represents the net balance of gains/losses unrecognised in profit or loss after eliminating the effect of income tax in accordance with CAS. "Total comprehensive income" represents the total amount of net profit and other comprehensive income.

The Company has adjusted the presentation of its income statement in accordance with the requirements of No. 3 Explanatory Guidance, while certain comparative figures of prior periods have been adjusted to conform to the requirements of the current period's presentation.

— Segment reporting

No. 3 Explanatory Guidance revised ASBE 35-segment reporting. According to the requirements of No. 8 Q&A of No. 3 Explanatory Guidance, enterprises should identify operating segments based on their internal organisational structure, management requirements and internal reporting system. They should determine reportable segments based on operating segments identified and disclose segment information in compliance with relevant regulations. The previous stipulations that required an enterprise to identify geographical segments and business segments and disclose segment information in a primary reporting format and secondary reporting format will no longer apply.

As the Company's chief operating decision maker makes decision about resources allocation and performance assessment based on the entity-wide financial information, there is only one single reportable segment for the Company.

2 Effect of the above accounting policy changes on the current financial statements

Except for the above adjustments to the presentation of the income statement, the changes of accounting policies in the period have no impact on the relevant accounts of the income statement for the six months ended 30 June 2009 and the balance sheet at 30 June 2009.

(5) Audit Committee

After reviewing the unaudited interim financial statements of the Company for the six months ended 30 June 2009 and discussing the issues regarding auditing, internal control and financial reporting, the Audit Committee of the Company is of opinion that the financial statements are in accordance with the applicable accounting standards and regulations in which adequate disclosures have been made.

(6) Publication of the 2009 Interim Report on the Website of The Stock Exchange of Hong Kong Limited

The 2009 interim report containing all information as required by paragraph 37 to 44 of Appendix 16 to the Listing Rules of the Stock Exchange will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) in due course.

By order of the Board
Chongqing Iron & Steel Company Limited
Chairman
Dong Lin

Chongqing, the PRC
7 August 2009

As at the date of this announcement, the Directors of the Company are: Mr. Dong Lin (Non-executive Director), Mr. Yuan Jin Fu (Non-executive Director), Mr. Chen Shan (Executive Director), Mr. Chen Hong (Executive Director), Mr. Sun Yi Jie (Executive Director), Mr. Li Ren Sheng (Executive Director), Mr. Liu Xing (Independent Non-executive Director), Mr. Zhang Guo Lin (Independent Non-executive Director) and Mr. Liu Tian Ni (Independent Non-executive Director).

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

Appendix: The 2009 unaudited interim financial statements under PRC Accounting Standards and Difference between PRC Accounting Standards and Hong Kong Accounting Standards

BALANCE SHEET

30 June 2009

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

Assets	Closing balance	Opening balance
Cash at bank and on hand	**991,814**	1,203,661
Bills receivable	**802,748**	509,457
Accounts receivable	**371,491**	210,035
Prepayments	**368,901**	266,343
Other receivables	**31,928**	24,420
Inventories	**2,917,238**	3,057,732
Other current assets	**35,362**	21,005
Total current assets	**5,519,482**	5,292,653
Long-term equity investments	**5,000**	5,000
Fixed assets	**4,867,580**	4,985,807
Construction in progress	**823,743**	532,703
Construction materials	**1,415,279**	1,185,619
Intangible assets	**248,445**	251,050
Deferred tax assets	**120,349**	129,386
Other non-current assets	**39,150**	42,750
Total non-current assets	**7,519,546**	7,132,315
Total assets	**13,039,028**	12,424,968

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

Liabilities and shareholders' equity	**Closing balance**	Opening balance
Short-term loans	**2,504,278**	1,798,000
Accounts payable	**577,820**	602,113
Advances from customers	**631,119**	664,007
Employee benefits payable	**31,740**	39,963
Taxes payable	**9,702**	189,227
Interest payable	**1,030**	4,510
Dividends payable	**173,313**	—
Other payables	**155,946**	261,353
Non-current liabilities due within one year	**1,004,000**	440,000
Total current liabilities	**5,088,948**	3,999,173
Long-term loans	**1,699,914**	2,324,076
Other non-current liabilities	**746,911**	456,773
Total non-current liabilities	**2,446,825**	2,780,849
Total liabilities	**7,535,773**	6,780,022
Share capital	**1,733,127**	1,733,127
Capital reserve	**1,164,384**	1,164,384
Surplus reserve	**566,679**	566,679
Retained earnings	**2,039,065**	2,180,756
Total equity	**5,503,255**	5,644,946
Total liabilities and shareholders' equity	**13,039,028**	12,424,968

INCOME STATEMENT

Jan~Jun 2009

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

Items	Jan~Jun 2009	Jan~Jun 2008
Operating income	**5,253,842**	8,846,607
Less: Operating costs	**4,719,528**	7,699,308
Business taxes and surcharges	**141**	164
Selling and distribution expenses	**139,233**	128,949
General and administrative expenses	**247,873**	308,234
Financial expenses	**111,625**	118,784
Impairment loss	**—**	94,625
Operating profit	**35,442**	496,543
Add: Non-operating income	**5,799**	2,431
Less: Non-operating expenses	**582**	3,895
Profit before income tax	**40,659**	495,079
Less: Income tax expenses	**9,037**	11,144
Net profit	**31,622**	483,935
Earnings per share		
Basic earnings per share *(RMB)*	**0.02**	0.28
Diluted earnings per share *(RMB)*	**0.02**	0.28
Add: Other comprehensive income for the period	**—**	—
Total comprehensive income for the period	**31,622**	483,935

CASH FLOW STATEMENT

Jan~Jun 2009

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

	Jan~Jun 2009	Jan~Jun 2008
1. Cash flows from operating activities:		
Cash received from sales of goods and rendering of services	**6,131,419**	10,260,682
Other cash received relating to operating activities	**6,373**	1,658
Sub-total of cash inflows	**6,137,792**	10,262,340
Cash paid for goods and services	**(5,675,818)**	(9,289,660)
Cash paid to and for employees	**(306,759)**	(400,970)
Cash paid for all types of taxes	**(259,463)**	(300,816)
Other cash paid relating to operating activities	**(63,712)**	(99,153)
Sub-total of cash outflows	**(6,305,752)**	(10,090,599)
Net cash (outflow)/inflow from operating activities	**(167,960)**	171,741
2. Cash flows from investing activities:		
Net cash received from disposal of fixed assets	**1,124**	6,233
Other cash received relating to investing activities	**4,124**	5,920
Sub-total of cash inflows	**5,248**	12,153
Cash paid for acquisition of fixed assets	**(507,810)**	(609,376)
Sub-total of cash outflows	**(507,810)**	(609,376)
Net cash outflow from investing activities	**(502,562)**	(597,223)

3.	**Cash flows from financing activities:**		
	Cash received from borrowings	**1,938,956**	2,694,055
	Sub-total of cash inflows	**1,938,956**	2,694,055
	Cash repayments of borrowings	**(1,293,023)**	(1,659,519)
	Cash payments for interest	**(140,417)**	(142,199)
	Sub-total of cash outflows	**(1,433,440)**	(1,801,718)
	Net cash inflow from financing activities	**505,516**	892,337
4.	**Effect of foreign exchange rate changes on cash and cash equivalents**	**—**	—
5.	**Net (decrease)/increase in cash and cash equivalents**	**(165,006)**	466,855
	Add: Cash and cash equivalents at the beginning of the period	**1,147,053**	971,082
6.	**Cash and cash equivalents at the end of the period**	**982,047**	1,437,937

STATEMENT OF CHANGES IN EQUITY

Jan~Jun 2009

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

	Amount of last period					
Items	**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	—	566,679	2,180,756	5,644,946
Add: Changes in accounting policies	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—
II. Balance at the beginning of this period	1,733,127	1,164,384	—	566,679	2,180,756	5,644,946
III. Changes in equity for the period (Decrease is illustrated by "-")	—	—	—	—	(141,691)	(141,691)
(I) Total comprehensive income for the period	—	—	—	—	31,622	31,622
(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)	—	—	—	—	31,622	31,622

(III) Shareholder's contributions and decrease of capital	—	—	—	—	—	—
1. Contributions by shareholders	—	—	—	—	—	—
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	—	566,679	2,039,065	5,503,255

STATEMENT OF CHANGES IN EQUITY

Jan~Jun 2008

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	1,733,127	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 (Decrease is illustrated by "-")	—	—	—	—	310,622	310,622
(I) Total comprehensive income 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	—	—	—	—	(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	—	506,849	2,126,223	5,530,583

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 Standards (HKFRS)
Net profit	31,622	32,101
Net assets	5,503,255	5,486,050

Explanation to the difference	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 China Accounting Standards for Business Enterprises (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.