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 2009

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 2009 (the "Reporting Period") together with comparative figures for the year ended 31 December 2008.

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

Balance sheet at 31 December 2009
(Expressed in Rmb)

	Note	**2009** *RMB'000*	2008 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**7,951,111**	6,704,129
Land use right		**335,841**	251,050
Available-for-sale financial asset		**5,000**	5,000
Deferred income tax assets		**118,387**	129,386
Trade and other receivables	2	**50,780**	42,750
Total non-current assets		**8,461,119**	7,132,315
Current assets			
Inventories	1	**4,066,174**	3,057,732
Prepaid taxation		**1,854**	—
Trade and other receivables	2	**1,848,374**	1,031,260

Restricted cash		**185,989**	56,608
Cash and cash equivalents		**1,404,948**	1,147,053
Total current assets		**7,507,339**	5,292,653
Total assets		**15,968,458**	12,424,968
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital		**1,733,127**	1,733,127
Other reserves		**1,685,412**	1,677,009
Retained earnings			
— Proposed final dividend		**—**	173,313
— Others		**2,120,396**	2,043,813
Total equity		**5,538,935**	5,627,262
LIABILITIES			
Non-current liabilities			
Trade and other payables	3	**520,000**	440,000
Borrowings		**1,760,410**	2,324,076
Deferred income		**203,278**	34,457
Obligation under finance leases		**1,130,793**	—
Total non-current liabilities		**3,614,481**	2,798,533
Current liabilities			
Trade and other payables	3	**2,634,611**	1,682,089
Borrowings		**4,104,005**	2,238,000
Obligation under finance leases		**76,426**	—
Current taxation		**—**	79,084
Total current liabilities		**6,815,042**	3,999,173
Total liabilities		**10,429,523**	6,797,706
Total equity and liabilities		**15,968,458**	12,424,968
Net current assets		**692,297**	1,293,480
Total assets less current liabilities		**9,153,416**	8,425,795

Statement of comprehensive income for the year ended 31 December 2009
(Expressed in Renminbi)

	Note	**2009**	2008
		RMB'000	*RMB'000*
Sales		**10,633,996**	16,482,183
Cost of goods sold	4	**(9,464,841)**	(13,836,547)
Gross profit		**1,169,155**	2,645,636
Selling and marketing costs	4	**(293,790)**	(258,939)
Administrative expenses	4	**(533,673)**	(1,528,891)
Other net gains		**31,427**	7,824
Operation profit		**373,119**	865,630
Finance costs		**(277,134)**	(259,328)
Profit before income tax		**95,985**	606,302
Income tax expense	5	**(10,999)**	(7,466)
Profit for the year		**84,986**	598,836
Other comprehensive income for the year (after taxation and reclassification adjustments)		**—**	—
Total comprehensive income for the year		**84,986**	598,836
Profit/total comprehensive income attributable to equity shareholders of the Company		**84,986**	598,836
Dividends	6	**—**	173,313
Earnings per share for profit attributable to the Company's shareholders during the year	7		
— Basic and diluted		**RMB0.05**	RMB0.35

Notes:

1 INVENTORIES

	2009	2008
	RMB'000	*RMB'000*
Raw materials	**2,153,423**	2,015,941
Work in progress	**893,386**	536,078
Finished goods	**288,850**	186,949
Reusable materials	**730,515**	318,764
	4,066,174	3,057,732

During the year ended 31 December 2009, the Company recognised a write-down of inventories of RMB 13,158,000 (2008: recognised a write-down of RMB 785,520,000). The amount recognised has been included in administrative expenses in profit or loss (Note 4).

Since the 4100mm steel plate production line is still in the commissioning stage, the production technology is not mature and the production yield is low. The cost of the finished goods from the trial production exceeded their net realisable value and the write down of inventories of RMB 35,526,000 has been capitalised in construction-in-progress.

The cost of inventory recognised as expenses and included in cost of goods sold amounted to RMB 7,958,652,000 (2008: RMB 12,803,456,000).

2 TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Notes receivable	**953,519**	411,614
Accounts receivable *(Note (a))*	**230,346**	246,485
Trade receivables	**1,183,865**	658,099
Less: provision for impairment of trade receivables *(Note (b))*	**(144,740)**	(144,562)
Trade receivables — net	**1,039,125**	513,537
Receivables from fellow subsidiaries of the Holding Company *(Note (c))*	**225,059**	216,034
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	**214,980**	205,955
Prepayments and deposits	**392,685**	309,093
Other receivables	**259,082**	52,143
Less: provision for impairment of other receivables *(Note (d))*	**(6,718)**	(6,718)
Other receivables - net	**252,364**	45,425
	1,899,154	1,074,010
Less non-current portion: prepayment to a supplier	**(50,780)**	(42,750)
Current portion	**1,848,374**	1,031,260

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

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**1,039,125**	513,537
Receivables from fellow subsidiaries of the Holding Company	**214,980**	205,955
Prepayments and deposits	**392,685**	309,093
Other receivables	**252,364**	45,425
	1,899,154	1,074,010

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

	2009	2008
	RMB'000	*RMB'000*
Between 1 and 2 years	**28,440**	10,800
Between 2 and 5 years	**22,340**	31,950
	50,780	42,750

(a) The Company normally requires advanced payments from new customers before delivery. For existing customers, the Company normally offers a one-month credit period. The ageing analysis of accounts receivables as at 31 December 2009 is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 3 months	**82,234**	99,529
Between 3 months and 1 year	**2,766**	767
Between 1 and 2 years	**602**	1,800
Between 2 and 3 years	**585**	629
Over 3 years	**144,159**	143,760
	230,346	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) Movements on the provision for impairment of trade receivables are as follows:

	2009	2008
	RMB'000	*RMB'000*
At 1 January	**144,562**	144,880
Impairment loss recognised	**2,459**	256
Reversal of impairment of trade receivables	**—**	(234)
Receivables written off during the year as uncollectible	**(2,281)**	(340)
At 31 December	**144,740**	144,562

The amount recognised and reversed has been included in administrative expenses in profit or loss (Note 4).

(c) The ageing analysis of receivables from fellow subsidiaries of the Holding Company as at 31 December 2009 is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 3 months	**99,744**	160,756
Between 3 months and 1 year	**110,087**	37,938
Between 1 and 2 years	**3**	47
Between 2 and 3 years	**9**	1,514
Over 3 years	**15,216**	15,779
	225,059	216,034

(d) Movements on the provision for impairment of other receivables are as follows:

	2009	2008
	RMB'000	*RMB'000*
At 1 January	**6,718**	11,718
Reversal of impairment of other receivables	**—**	(5,000)
At 31 December	**6,718**	6,718

During the year ended 31 December 2005, the Company had received verdicts and enforcement orders from certain courts ("the Courts"), including the People's Courts of Neijiang, Sichuan Province of the PRC, in relation to certain debts owed by the Chongqing Special Steel (Group) Limited Company ("CSSG", a former subsidiary of the Holding Company which ceased to have shareholding relationship with the Holding Company since June 2003) and the Holding Company to their creditors amounting to RMB 18,340,000 and RMB 18,200,000 respectively. According to these verdicts and enforcement orders, the Company was requested to withhold in aggregate RMB 36,540,000 dividends to be distributed to the Holding Company ("the Dividend"). The Courts seized RMB 4,528,000 and RMB 1,059,000 from the Company's bank accounts in 2005 and 2006 respectively.

In November 2006, as the Holding Company settled its debts amounting to RMB 18,200,000, the Courts withdrew those verdicts and enforcement orders against the Holding Company, and accordingly the Company was not required to assist the execution of the verdicts.

As at the date of these financial statements are approved for issue, the case relating to the debts of RMB 18,340,000 owed by CSSG has not been finalized. Based on the advice from the Company's legal counsellor, management of the Company is of the view that the verdicts and the enforcement orders made by the Courts are without merit as CSSG is no longer associated with the Holding Company or the Company, and accordingly the Company has no obligation to assist the execution of the order against CSSG. The Company has appealed to the Courts and sought assistance and resolution from relevant higher courts, Municipal Governments and Standing Committee of the People's Congress. The State Supreme Court of the PRC issued "The Notice of Exemption for Obligation of Chongqing Iron and Steel Company (Group) Limited related to the cases Of CSSG's Residual Debts (Fa (Zhi) Ming Chuan (2007)" ("the Notice") to The Supreme Court of Sichuan Province on 25 May 2007. According to the Notice, since the cases of CSSG's residual debts were still in the process of coordinating, the Supreme Court of Sichuan Province should suspend the execution of these cases until receive final comments from the State Supreme Court of the PRC.

As the recoverability of the bank deposits under seizure (recorded as other receivable) is uncertain, management of the Company made a full provision of RMB 5,587,000 in prior years.

3 TRADE AND OTHER PAYABLES

	2009	2008
	RMB'000	*RMB'000*
Trade payables *(Note (a))*	**1,424,757**	602,113
Advances from customers	**1,406,727**	1,104,007
Amounts due to the Holding Company and its subsidiaries	**135,566**	207,580
Value added tax and other tax payables	**68,924**	110,143
Salaries payable	**62,536**	39,963
Deposits from customers	**8,056**	6,411
Other payables	**48,045**	51,872
	3,154,611	2,122,089
Less non-current portion:		
— Advances from a customer *(Note (b))*	**(520,000)**	(440,000)
Current portion	**2,634,611**	1,682,089

(a) The ageing analysis of trade payables as at 31 December 2009 is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 6 months	**1,346,548**	494,650
Between 6 months and 1 year	**14,787**	32,340
Between 1 and 2 years	**15,710**	26,945
Between 2 and 3 years	**7,432**	21,179
Over 3 years	**40,280**	26,999
	1,424,757	602,113

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

	2009	2008
	RMB'000	*RMB'000*
Between 1 and 2 years	**270,000**	240,000
Between 2 and 5 years	**250,000**	200,000
	520,000	440,000

The original effective interest rates on non-current advance from a customer received in 2009 are 5.40% to 7.19% (2008: 5.72% to 7.19%).

4 EXPENSE BY NATURE

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

	2009	2008
	RMB'000	*RMB'000*
Depreciation	**297,484**	313,654
Amortisation	**5,209**	4,823
Written-back of impairment of receivables	**2,459**	(4,978)
Provision for impairment of property, plant and equipment	**—**	91,896
Staff costs	**659,939**	883,914
Changes in inventories of finished goods and work in progress	**(334,203)**	(94,041)
Raw materials and consumables used	**8,279,697**	12,111,977
Write-down of inventories	**13,158**	785,520
Auditors' remuneration		
— audit services	**2,800**	3,680
— other services	**—**	2,800
Maintenance expenses	**277,629**	361,111
Rental for land use rights	**17,957**	17,957
Transportation expenses	**169,318**	124,240
Plate inspection fees	**65,864**	75,786

5 INCOME TAX EXPENSE

	2009	2008
	RMB'000	*RMB'000*
Current PRC income tax	**—**	129,523
Deferred income tax assets	**10,999**	(122,057)
	10,999	7,466

The taxation on the Company's profit before income tax differs from the theoretical amount that would arise using the income tax rate applicable to the Company as follows:

	2009	2008
	RMB'000	*RMB'000*
Profit before taxation	**95,985**	606,302
Calculated at income tax rate of 15% *(Note (a))*	**14,398**	90,945
Unrecognised temporary differences	**(3,978)**	1,274
Expenses not deductible for/income not subject to taxation	**579**	1,461
Reduction in Enterprise Income Tax for purchase of domestic manufactured equipment *(Note (b))*	**—**	(86,214)
	10,999	7,466

(a) 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.

(b) The Company purchased certain domestic manufactured equipment between 2004 and 2007. In accordance with Cai Shui Zi [2000] No. 49 the Notice concerning the Reduction in Enterprise Income Tax for Purchase of Domestic Manufactured Equipment by Enterprises with Foreign Investment and Foreign Enterprises issued by the Ministry of Finance and the State Administration of Taxation, part of the purchase costs of the domestic manufactured equipment could be utilised to reduce the Company's enterprise income tax.

In accordance with the Reply to Application for Income Tax Reduction lodged by the Company on the 2004 Purchased Domestic Manufactured Equipment (Da Dukou Guo Shui Han [2006] No.3), the Application Form for the Income Tax Reduction lodged by the Company ("the Application Form") on the 2005 Purchased Domestic Manufactured Equipment, the Application Form on the 2006 Purchased Domestic Manufactured Equipment, and Filing Form of Tax Credit and Exemption for Tax Payers in Chongqing (Da Guo Shui Jian (Di) Bei Mian [2008] No.041801) issued and approved by the Chongqing Administration of State Taxation of Da Dukou District from 2006 to 2008. The Company was entitled to a total tax reduction of RMB 238,692,000 on the domestic manufactured equipment purchased from 2004 to 2007. Of them, RMB 12,178,000, RMB 52,394,000, RMB 53,287,000 and RMB 86,214,000 were utilised to offset the Company's income tax liability for 2005, 2006, 2007 and 2008 respectively. The remaining RMB 34,619,000 approved in 2007 and 2008 was not utilised.

In accordance with Circular Guo Shui Fa[2008] No.52 on Ceasing Granting Tax Credit and Exemption relating to Enterprise Income Tax on the Purchase of Domestic Manufactured Equipment issued by State Administration of Taxation, the Company did not apply for tax credit or exemption for purchase of domestic manufactured equipment, neither did it recognise related income tax after 1 January 2008.

(c) In relation to the sale and lease back arrangement with Jianxin Financial Leasing Ltd., the Company applied with the State Administration of Taxation of Chongqing on 25 November 2009, for exemption from Value Added Tax for the sale and lease back arrangement. As at the date of approval of the financial statements, the Company has not received any formal written approval from the State Administration of Taxation of Chongqing. If the approval from the tax authority is not available, this would not have any impact on the net profit of the year 2009. It would however result in an increase in current liability of RMB 174,736,000 and a decrease of non-current liabilities of the same amount.

(d) No Hong Kong Profits Tax has been provided as the Company had no taxable profits in Hong Kong for the year (2008: Nil).

6 DIVIDENDS

In accordance with the relevant regulations of the PRC and the Company's Articles of Association, the Company declares dividends based on the lower of the retained earnings as reported in the PRC statutory accounts and financial statements prepared in accordance with HKFRSs. As the statutory accounts have been prepared in accordance CAS, the retained earnings as reported in the statutory accounts will be different from the amount reported in the accompany financial statements.

During the Annual General Meeting of shareholders on 1 June 2009, it was resolved to declare dividend in respect of 2008 of RMB 0.10 per share, totalling RMB 173,313,000 (2008: RMB 173,313,000). The allocation basis of the dividends being distributed to the shareholders was based on the number of shares in issue of 1,733,127,000 as at 31 December 2008.

During the Board of Directors' meeting on 22 April 2010, the directors of the Company resolved to declare no dividend in respect of 2009.

	2009	2008
	RMB'000	*RMB'000*
Final, proposed	**—**	173,313

7 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company of RMB 84,986,000 (2008: RMB 598,836,000) by the weighted average number of ordinary shares in issue during the year of 1,733,127,000 shares (2008: 1,733,127,000 shares).

Diluted earnings per share equals to basic earnings per share as there are no potential dilutive shares outstanding as at 31 December 2009 (2008: 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

In 2009, to address the adverse impact from global financial crisis, the government adopted proactive fiscal policy and moderately ease monetary policy. As the stimulus package for "maintaining growth, expanding domestic demand, readjusting economic structure and improving people's livelihood" took effect, national economy bottomed out and recovered steadily, achieving a growth rate of 8.7% for the year. Driven by the economic growth, domestic steel demand has seen dramatic growth, especially in infrastructure, automobile, machinery and household appliances sectors. However, given the influence of imported steel products and overcapacity in the industry, steel price remained at low levels.

The Company took active steps in face of the aftermath of financial crisis. By seizing market opportunity, securing production and boosting sales, purchasing in economical way, enhancing quality management and developing new products, the Company prevented its results away from negative zone for the year while proactively carrying out environmental relocation. During the Reporting Period, the Company produced 1,349,700 tonnes of coke, 2,941,900 tonnes of pig iron, 3,220,400 tonnes of steel, 3,000,700 tonnes of steel products (billets), representing a decrease of 1.27%, an increase of 0.57%, a decrease of 4.09% and a decrease of 6.59% respectively as compared with the same period last year. The Company recorded operating revenue of RMB10,654,115,000, and net profit of RMB84,029,000, representing a year-on-year decrease of 35.50% and 85.96% respectively.

During the Reporting Period, the Company took active measures to address the unfavorable market conditions, secured production and promoted sales. Amid the market downturn, the Company enhanced communication with customers to properly deal with price bargain from customers. Meanwhile, the Company strengthened ties with strategic customers and local marketing, securing orders for production. Riding on the short-term rebound of the market and favorable sales conditions of steel products for construction purpose and high quality steel rods, the Company adjusted sales strategy in a timely manner to expand sales. In 2009, the Company sold 2,972,800 tonnes of steel products (billets) with a collection rate of accounts receivable amounting to 100.85%.

During the Reporting Period, the Company kept close watch on dynamics of steel market and raw material market. It formulated rational procurement strategy and implemented effective measures to reduce procurement cost of raw materials. The Company timely increased its procurement of imported iron ore and reduced proportion of domestic ore, continued to allocate the regional coals by piles (地方煤單堆單配), and fully leveraged on local coal resources advantages. Meanwhile, it applied reasonable control on inventory level and modulated procurements of raw materials as appropriate to curb procurement cost. In addition, by optimizing transportation methods and enhancing logistics management, the Company constrained the transportation cost.

During the Reporting Period, the Company tightened acceptance inspection of raw materials, amended and improved regulations on bulk purchase of raw and ancillary materials from external suppliers. 2,155 sampling inspections were applied to raw and ancillary materials, of which 99.62% was qualified. At the same time, the Company carried out quality tackling activities for steel smelting and rolling system, which aimed for "enhancing quality control, stabilizing and improving product quality", thus effectively uplifting the product quality. During the Reporting Period, the passing rate of the Company's steel products reached 99.63%, and 96.61% of steel products reached both the international and domestic standards, representing an increase of 0.01 percentage points and 1.65 percentage points respectively as compared with the same period last year.

During the Reporting Period, the Company completed the development of Q420B high strength angle steel for iron tower, S275NL steel plate under European standards, and CG510CL steel plate for automobile spinning spoke in response to the market demand. Meanwhile, as demanded by customers, the Company carried out pilot production of specialised products, mainly including 11# I-beam for mines, 45mm Z steel plate, 12Cr1MoV steel plate and 7.50V rim steel. During the Reporting Period, the Company completed pilot production of 636,200 tonnes for new products and specialised products with a value of RMB2.209 billion.

During the Reporting Period, the Company proactively engaged in environmental relocation in compliance with requirements on energy saving and discharge reduction, industry deployment and planning from Chongqing municipal government. The Company established relevant organizations for the preparation of Environmental Relocation, executed market research and promotion of products, prepared raw materials for production, formulated production process and technology quality standards, as well as provided staff training in the new zone. During the Reporting Period, the production line of the Company's 4100mm rolling units and the holding company's iron and steel melting production line were put into operation.

2. Analysis on principle operations and operating status

(1) Analysis on revenue from principal operations

Surviving from recession caused by the financial crisis in 2008, steel market saw demand recovery as driven by expansion of domestic demand and investment in 2009. However, as production capacity of steel makers was gradually utilized and steel supply increased, stockpile remained at high levels while steel price lingered low. Accordingly, the Company's results for 2009 slumped. In the tough operating environment in 2009, the Company timely adjusted its business strategy, and shift its focus from "scale production" to "profit as top priority". Meanwhile, the Company kept in close touch with market pulse and dynamics, strictly controlled expenses and explored new income sources, and managed to achieve profit in 2009. As at 31 December 2009, the revenue from principal operations of the Company under the PRC accounting standards was RMB10,633,996,000, representing a decrease of 35.48% as compared with last year. Net profit was RMB84,029,000, representing a year-on-year decrease of 85.96%.

- Operation of the Company

For the year 2009, the Company's revenue from principal operations amounted to RMB10,633,996,000, of which south-western region and other regions accounted for RMB6,052,833,000 and RMB4,581,163,000, representing a decrease of 26.30% and 44.60% respectively as compared with last year.

Region	**Revenue from principal operations** *(RMB'000)*	**Increase/decrease in revenue from principal operations from last year** *(%)*
South-western region	6,052,833	-26.30
Other regions	4,581,163	-44.60
Total	10,633,996	-35.48

For the year 2009, the Company's revenue from principal operations amounted to RMB10,633,996,000, of which RMB10,132,883,000 was derived from sales of steel products (billets), representing 95.29% of the total revenue, down 36.43% from last year, and RMB501,113,000 was derived from sales of non-steel products, such as water granulated slag, coking by-products, cutting steel leftover and water, electricity and steam, which accounted for 4.71% of the total revenue, down 7.69% from last year.

Product	2009 Amount (RMB'000)	2009 Percentage (%)	2008 Amount (RMB'000)	2008 Percentage (%)	Year-on-year increase (%)
Steel plates	**4,302,653**	**40.46**	7,415,739	44.99	-41.98
Steel billets	**699,230**	**6.58**	1,782,887	10.82	-60.78
Steel sections	**3,253,359**	**30.59**	4,183,558	25.38	-22.23
Wire rods	**1,698,686**	**15.97**	2,164,677	13.13	-21.53
Cool-rolled plates	**178,955**	**1.69**	392,450	2.39	-54.40
Subtotal	**10,132,883**	**95.29**	15,939,311	96.71	-36.43
Others	**501,113**	**4.71**	542,872	3.29	-7.69
Total	**10,633,996**	**100.00**	16,482,183	100.00	-35.48

In 2009, the sales revenue of the Company's steel products (billets) decreased by RMB5,806,428,000 as compared with last year. The decrease was attributable to (1) lower product price: during the year, the average selling price of steel products (including cold rolled plates) was RMB3,409 per tonne, representing a drop of 31.30% from last year, which decreased sales revenue by RMB4,656,514,000; (2) less production and sales volume: the Company sold 2,972,800 tonnes of steel products (billets), representing a decrease of 239,200 tonnes from last year, which decreased sales revenue by RMB1,149,914,000.

Sales price by products

Item	**2009**	2008	Year-on-year increase/ decrease	Increase/ decrease in contribution to revenue
	RMB/tonne	*RMB/tonne*	*(%)*	*(RMB'000)*
Steel plates	**3,551**	5,799	-38.77	-2,724,952
Steel billets	**3,174**	4,298	-26.15	-247,617
Steel sections	**3,353**	4,485	-25.24	-1,098,493
Wire rods	**3,240**	4,236	-23.51	-522,203
Subtotal	**3,401**	4,955	-31.36	-4,593,265
Cool-rolled plates	**3,882**	5,254	-26.11	-63,249
Total	**3,409**	4,962	-31.30	-4,656,514

Sales volume by products

Item	**2009**	2008	Year-on-year increase/ decrease	Increase/ decrease in contribution to revenue
	(0'000 tonnes)	*(0'000 tonnes)*	*(%)*	*(RMB'000)*
Steel plates	**121.17**	127.88	-5.25	-389,113
Steel billets	**22.03**	41.48	-46.89	-835,961
Steel sections	**97.04**	93.27	4.04	169,085
Wire rods	**52.43**	51.10	2.60	56,339
Subtotal	**292.67**	313.73	-6.71	-999,650
Cold rolled plates	**4.61**	7.47	-38.29	-150,264
Total	**297.28**	321.20	-7.45	-1,149,914

*(2) **Analysis on operation***

- Operating results of the Company

The net profit of the Company amounted to RMB84,029,000 for the year 2009, decreased by 85.96% from RMB598,298,000 in 2008.

Item	**Amount for 2009** ***(RMB'000)***	Amount for 2008 *(RMB'000)*	Year-on-year increase/ decrease *(%)*
Operating revenue	**10,654,115**	16,517,443	(35.50)
Operating costs	**(9,479,256)**	(13,865,367)	(31.63)
Business taxes and surcharges	**(283)**	(329)	(13.98)
Total expenses	**(1,087,606)**	(1,170,235)	(7.06)
Assets impairment loss	**(15,617)**	(872,438)	(98.21)
Investment income	**1,304**	32	3,975.00
Operating profit	**72,657**	609,106	(88.07)
Total profit	**95,028**	605,764	(84.31)
Income tax expenses	**(10,999)**	(7,466)	47.32
Net profit	**84,029**	598,298	(85.96)

① Gross profit from principal operations amounted to RMB1,169,438,000, representing a decrease of RMB1,476,527,000 as compared with last year, mainly attributable to dropping price and sales volume 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	10,132,883	9,022,847	10.95	-36.43	-32.47	-5.23
Steel plates	4,302,653	3,726,976	13.38	-41.98	-31.22	-13.55
Steel billets	699,230	637,732	8.80	-60.78	-61.25	1.10
Steel sections	3,253,359	2,944,824	9.48	-22.23	-23.37	1.33
Wire rods	1,698,686	1,510,790	11.06	-21.53	-26.27	5.72
Cold rolled plates	178,955	202,525	-13.17	-54.40	-50.01	-9.93
Others	501,113	441,711	11.85	-7.69	-7.03	-0.63
Total	10,633,996	9,464,558	11.00	-35.48	-31.60	-5.05

During the year 2009, the average selling price of the Company's steel products (billets) was RMB3,409 per tonne, representing a drop of 31.30% from last year, which decreased profit by approximately RMB4,656,514,000. However, the lower prices of raw materials including ore, coal and scrap steel lessened the drop in the profit of the Company.

② According to relevant requirements of accounting standards, the decrease in the Company's current profit due to provision for assets impairment loss amounted to RMB15,617,000 in 2009, representing a decrease of RMB856,821,000 from last year. The decrease was mainly attributable to recovery of raw materials and steel price in China in 2009, which resulted in RMB13,158,000 of decrease in the Company's current profit due to provision for diminution in value of inventories, representing a decrease of RMB772,362,000 from same period last year.

③ The administrative expenses incurred by the Company in 2009 was RMB518,056,000, representing a decrease of RMB138,397,000 from last year, mainly attributable to 1) repair expenses booked in administrative expenses decreased by RMB82,891,000 year on year; and 2) salaries and surcharges booked in administrative expenses in 2009 decreased by RMB55,637,000 year on year.

④ Selling and marketing costs of the Company for the year 2009 amounted to RMB293,790,000, representing an increase of RMB34,851,000 as compared with last year, mainly attributable to 1) more steel products being sold on delivery to warehouse basis, which led to an increase of RMB45,077,000 in transportation charges; and 2)less steel products sold for shipbuilding, which resulted in a decrease of RMB9,922,000 in shipbuilding inspection expenses.

⑤ The finance costs of the Company in 2009 amounted to RMB275,760,000, representing an increase of RMB20,917,000 over last year, mainly attributable to a decrease of RMB16,534,000 in net foreign exchange gains in 2009.

⑥ The Company recorded investment income of RMB1,304,000 during 2009, representing an increase of RMB1,272,000 over last year, mainly attributable to RMB1,304,000 of cash dividends distributed by Xiamen Shipbuilding Industry Co., Ltd. in 2009.

⑦ The income tax rate of the Company was 15% for the year 2009. The taxable income was RMB-456,612,000. No income tax was actually paid for the year.

- Cash flow of the Company

During the year 2009, net cash inflow from financing activities amounted to RMB2,187,478,000 as a result of bank borrowings and finance leasing. The net cash equivalents of the Company for the current period increased by RMB257,895,000 after deducting RMB809,882,000 of net cash outflow from operating activities due to decreased sales and RMB1,119,701,000 of net cash outflow arising from the investment projects such as hot-rolled plates project and wide-thick plates project.

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

As at 31 December 2009, cash at bank and on hand balances of the Company were RMB1,590,937,000; balance of short-term loans amounted to RMB2,280,313,000 which were mainly used for supplementing capital demand for daily production; Long term loans of the Company (excluding current portion of long-term loans) amounted to RMB1,760,410,000, 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. The Company conducts negotiations for finance with financial institutions to maintain certain credit facilities so as to lower the liquidity risk, while striving to diversify finance channels and improve capital structure.

As at 31 December 2009, the share capital structure of the Company was as follows:

Unit: RMB'000

Item	**Amount**	**Item**	**Amount**
Current assets	7,507,339	Current liabilities	6,815,042
Non-current assets	8,461,119	Non-current liabilities	3,597,754
Total assets	15,968,458	Shareholders' equity	5,555,662

As at 31 December 2009, the total assets of the Company amounted to RMB15,968,458,000, representing a year-on-year increase of 28.52%. The total liabilities amounted to RMB10,412,769,000 while the gearing ratio was 65.21%. Current assets amounted to RMB7,507,339,000; current liabilities amounted to RMB6,815,042,000; current ratio was 1.10.

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 2009.

- Capital Commitments and Contingent Liability

  As at 31 December 2009, capital commitments of the Company amounted to RMB3,421,939,876.30, which was mainly attributable to the construction and equipment contracts entered into for the hot-rolled plates project and wide-thick plates project which is being implemented and CCB Financial Leasing Agreement which have been signed and is being implemented.

- 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, while the Company is mainly exposed to foreign exchange risk in respect of its deposits and loans denominated in foreign currencies. The exposure to foreign exchange risks for the Company's balance sheet items denominated in foreign currencies as at 31 December 2009 is set out in Note IX. 2(4) to the financial statements prepared under PRC GAAP.

(3) Major suppliers and customers

Percentage in total procurement for major suppliers of the Company:

Percentage in total procurement for the largest supplier of the Company: 8.28%

Percentage in total procurement for the top five suppliers of the Company: 28.94%

Percentage in total sales for major customers of the Company:

Percentage in total sales for the largest customer of the Company: 6.14%

Percentage in total sales for the top five customers of the Company: 18.70%

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

3. Analysis on financial position

(1) Items of balance sheet

Unit: RMB'000

Item	**At the end of 2009**	At the end of 2008	Year-on-year increase/ decrease *(%)*	Percentage in total assets for the year *(%)*
Cash and bank balance	**1,590,937**	1,203,661	32.17	9.96
Bills Receivable	**1,059,242**	509,457	107.92	6.63
Inventories	**4,066,174**	3,057,732	32.98	25.46
Other current assets	**227,518**	21,005	983.16	1.42
Construction in progress	**2,908,862**	532,703	446.06	18.22
Construction material	**244,391**	1,185,619	-79.39	1.53
Intangible assets	**335,841**	251,050	33.77	2.10
Short-term loans	**2,280,313**	1,798,000	26.82	14.28
Accounts payable	**1,424,757**	602,113	136.63	8.92
Advances from customers	**951,578**	664,007	43.31	5.96
Employee compensation payable	**62,536**	39,963	56.48	0.39
Taxes Payable	**68,924**	189,227	-63.58	0.43
Interest payable	**1,200**	4,510	-73.39	0.01
Other payables	**125,616**	261,353	-51.94	0.79
Non-current liabilities due within 1 year	**1,900,118**	440,000	331.85	11.90
Long-term loans	**1,760,410**	2,324,076	-24.25	11.02
Long-term payables	**1,130,793**	—	Not applicable	7.08
Other non-current liabilities	**706,551**	456,773	54.68	4.42

Explanations:

(1) The increase in cash and bank balance was mainly attributable to the increase in proceeds from financing activities.

(2) The increase in bills receivable was mainly attributable to the increase in the amounts of settlement by bills in respect of the sale of goods due to sluggish steel market.

(3) The increase in net inventories was mainly attributable to the decrease of RMB 721,687,000 in provision for inventory impairment (from RMB832,937,000 as at the beginning of the year to RMB111,250,000 as at the end of the year).

(4) The increase in other current assets was mainly attributable to the increase in value-added tax recoverable.

(5) The increase in construction in progress was mainly attributable to: 1) the increase in expenditures for the hot-rolled plates project and wide-thick plates projects; and 2) the transfer from building materials to construction in progress upon installation of equipments purchased for the above two projects.

(6) The increase in intangible assets was mainly attributable to the acquired land use rights in respect of wide-thick steel plate project amounting to RMB90,000,000.

(7) The increase in short-term loans was mainly due to needs from production and operation activities.

(8) The increase in accounts payable was mainly attributable to the increase in payables for the contract work of hot rolling plate-strip project and wide-thick steel plate project.

(9) The increase in advances from customers was mainly attributable to the increase in advances from customers for steel sales.

(10) The increase in employee compensation payable was mainly attributable to the deferred payment of employee pension insurance for 2009 pursuant to the Notice Regarding Temporarily Adjustment to the Contribution Rate of Social Insurances (Yu Ren She Fa No.[2009]208) (渝人社發[2009]208號《關於階段性調整企業社會保險繳費費率的通知》).

(11) The decrease in taxes payable was mainly attributable to decrease in income taxes payable and value added tax in the end of 2009.

(12) The decrease in interest payable was mainly attributable to decrease in the Company's foreign currency borrowings with different interest periods.

(13) The decrease in other payables was mainly attributable to decrease in amounts due to associates at the end of 2009.

(14) The increase in non-current liabilities due within 1 year and decrease in long-term borrowings was mainly attributable to the increase in long-term loans due within 1 year.

(15) The increase in long-term payables was mainly attributable to the obligations under finance leases originated in 2009.

(16) The increase in other non-current liabilities was mainly attributable to deferred income as result of finance leases originated in 2009.

(2) Items of income statement

(please see (2) "Operating results of the Company during the Reporting Period" of "Analysis on principle operations and operating status during the Reporting Period")

(3) Items of cash flow statement

Unit: RMB'000

Item	**2009**	2008	Main Reasons for the changes
Net cash flow from operating activities	**-809,882**	483,509	Mainly attributable to decrease in sales and increase in bills receivable in 2009.
Net cash flows from investing activities	**-1,119,701**	-1,216,918	No material change in this item in 2009 compared to 2008.
Net cash flows from financing activities	**2,187,478**	909,380	Mainly attributable to finance lease originated in 2009.
Net increase of cash and cash equivalents	**257,895**	175,971	The increase in net increase of cash and cash equivalents was mainly attributable to increase in net cash inflow from financing activities, partially offset by the decrease in net cash inflow from operating activities.

III. PROSPECTS

In 2010, with a recovering global economy, a stabilized international financial market and a revival in international trade and investment, national economy is expected to maintain a relatively high-rate growth. In order to further consolidate the foundation for economic recovery, the state will continue to adopt active fiscal policies and moderately easing policies in money supply, and implement and refine a package of plans designed to "ensure growth and expand domestic demand". The rapid growth of downstream sectors such as infrastructure construction, automobile and machinery and equipment manufacturing will continue to bolster steel demand. The State's policies and measures in relation to merger and acquisition and reorganisation, phasing out of backward production capacities and industry entry criteria will facilitate a healthy development of steel industry. However, steel enterprises will still face difficulties stemming from oversupply and lack of external demand in steel industry as well as the cost pressures from the rise in prices of water, electricity, coal and iron ore.

In 2010, the Company aspires to achieve its production and operation targets through grasping market opportunities and rationally allocating enterprise resources in active response to various adverse factors on the market. In addition, the Company will carry forward its relocation in an environmentally friendly way. In this regard, we will: (1) formulate raw material procurement strategy based on market supply and demand changes and the Company's demand, so as to ensure sufficient material for its production; (2) follow market conditions and expand product sales based on strategic customers; (3) enhance production organization and management and strengthen equipment maintenance to ensure smooth operation of the production system; (4) continue technology research and improve technical and economic indicators to refine product quality; (5) incentivize our employees and improve operational skills to facilitate the realization of planned capacity and standard at production line in new district.

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 to the Hong Kong Listing Rules as the code for securities transactions by its directors and supervisors. Having made specific 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 2009.

PUBLICATION OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The annual report of the Company for the year ended 31 December 2009 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
22 April 2010

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.

ATTACHMENT: THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 PREPARED UNDER THE PRC GAAP AND THE DIFFERENCE BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Balance sheet as at 31 December 2009

(Expressed in thousands of renminbi yuan)

Unit: RMB'000

Item	2009	2008
Current assets		
Cash at bank and on hand	**1,590,937**	1,203,661
Bills receivable	**1,059,242**	509,457
Accounts receivable	**194,863**	210,035
Prepayments	**341,905**	266,343
Other receivables	**26,700**	24,420
Inventories	**4,066,174**	3,057,732
Other current assets	**227,518**	21,005
Total current assets	**7,507,339**	5,292,653
Non-current assets		
Long-term equity Investments	**5,000**	5,000
Fixed assets	**4,797,858**	4,985,807
Construction in progress	**2,908,862**	532,703
Construction materials	**244,391**	1,185,619
Intangible assets	**335,841**	251,050
Deferred tax assets	**118,387**	129,386
Other non-current assets	**50,780**	42,750
Total non-current assets	**8,461,119**	7,132,315
Total assets	**15,968,458**	12,424,968

Current liabilities		
Short-term loans	**2,280,313**	1,798,000
Accounts payable	**1,424,757**	602,113
Advance from customers	**951,578**	664,007
Employee benefits payable	**62,536**	39,963
Taxes payable	**68,924**	189,227
Interest payable	**1,200**	4,510
Other payables	**125,616**	261,353
Non-current liabilities due within one year	**1,900,118**	440,000
Total current liabilities	**6,815,042**	3,999,173
Non-current liabilities		
Long-term loans	**1,760,410**	2,324,076
Long term payables	**1,130,793**	—
Other non-current liabilities	**706,551**	456,773
Total non-current liabilities	**3,597,754**	2,780,849
Total liabilities	**10,412,796**	6,780,022
Shareholders' equity		
Share capital	**1,733,127**	1,733,127
Capital reserve	**1,164,384**	1,164,384
Surplus reserve	**575,082**	566,679
Retained earnings	**2,083,069**	2,180,756
Total equity	**5,555,662**	5,644,946
Total liabilities and shareholders' equity	**15,968,458**	12,424,968

Income statement for the year ended 31 December 2009

Unit: RMB'000

Item			2009	2008
I.	**Operating income**		**10,654,115**	16,517,443
	Less:	Operating costs	**9,479,256**	13,865,367
		Business taxes and surcharges	**283**	329
		Selling and distribution expenses	**293,790**	258,939
		General and administrative expenses	**518,056**	656,453
		Financial expenses	**275,760**	254,843
		Impairment loss	**15,617**	872,438
	Add:	Investment income (Losses denoted with "-")	**1,304**	32
II.	**Operating profit (Losses denoted with "-")**		**72,657**	609,106
	Add:	Non-operating income	**23,134**	5,614
	Less:	Non-operating expenses	**763**	8,956
	Including:	Losses from disposal of non-current assets	**10**	6,290
III.	**Profit before income tax (Losses denoted with "-")**		**95,028**	605,764
	Less:	Income tax expenses	**10,999**	7,466
IV.	**Net profit for the year (Net loss denoted with "-")**		**84,029**	598,298
V.	**Earnings per share:**			
	Basic earnings per share *(RMB)*		**0.05**	0.35
	Diluted earnings per share *(RMB)*		**0.05**	0.35
VI.	**Other comprehensive income for the year**		**—**	—
VII.	**Total comprehensive income for the year**		**84,029**	598,298

CASH FLOW STATEMENT

for the year ended 31 December 2009

Unit: RMB'000

Item		2009	2008
I.	**Cash flows from operating activities:**		
	Cash received from sale of goods and rendering of services	**12,763,221**	19,814,449
	Refund of taxes	**7,410**	—
	Other cash received relating to operation activities	**15,065**	69,479
	Subtotal of cash inflows	**12,785,696**	19,883,928
	Cash paid for goods and services	**12,596,880**	17,630,433
	Cash paid to and for employees	**637,366**	865,698
	Cash paid for all types of taxes	**349,926**	827,925
	Other cash paid relating to operating activities	**11,406**	76,363
	Subtotal of cash outflows	**13,595,578**	19,400,419
	Net cash (outflow)/inflow from operating activities	**-809,882**	483,509
II.	**Cash flows from investing activities:**		
	Cash received from disposal of investments	**—**	50,000
	Cash received from return on investments	**1,304**	32
	Net cash received from disposal of fixed Assets, intangible assets and other non-current assets	**1,241**	7,429
	Other cash received relating to investing activities	**11,228**	10,122
	Subtotal of cash inflows	**13,773**	67,583
	Cash paid for acquisition of fixed assets intangible assets and other non-current assets	**1,133,474**	1,234,501
	Cash paid for acquisition of investments	**—**	50,000
	Subtotal of cash outflows	**1,133,474**	1,284,501
	Net cash outflow from investing activities	**-1,119,701**	-1,216,918
III.	**Cash flows from financing activities:**		
	Cash received from borrowings	**4,600,603**	3,820,428
	Cash received from sale and lease back financial lease	**1,379,000**	—
	Subtotal of cash inflows	**5,979,603**	3,820,428
	Cash repayments of borrowings	**3,298,264**	2,436,600
	Cash paid for dividends, profit distribution or interest	**493,861**	474,448
	Subtotal of cash outflows	**3,792,125**	2,911,048
	Net cash inflow from financing activities	**2,187,478**	909,380
IV.	**Net increase in cash and cash equivalents**	**257,895**	175,971
	Add: cash and cash equivalents at the beginning of the year	**1,147,053**	971,082
V.	**Cash and cash equivalents at the end of the year**	**1,404,948**	1,147,053

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

Unit: RMB'000

Item	*Notes*	2009					2008				
		Share capital	**Capital reserve**	**Surplus reserve**	**Retained earnings**	**Total**	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total
I. Balance at 1 January 2009		1,733,127	1,164,384	566,679	2,180,756	5,644,946	1,733,127	1,164,384	506,849	1,815,601	5,219,961
II. Changes in equity for the year (Decrease denoted with "-")											
(I) Net profit for the year		—	—	—	84,029	84,029	—	—	—	598,298	598,298
(II) Other comprehensive income		—	—	—	—	—	—	—	—	—	—
Sub-total of (I) & (II)		—	—	—	84,029	84,029	—	—	—	598,298	598,298
(III) Appropriation of profits	IV.30										
1. Appropriation for surplus reserve		—	—	8,403	-8,403	—	—	—	59,830	-59,830	—
2. Distributions to shareholders		—	—	—	-173,313	-173,313	—	—	—	-173,313	-173,313
III. Balance at 31 December 2009		1,733,127	1,164,384	575,082	2,083,069	5,555,662	1,733,127	1,164,384	566,679	2,180,756	5,644,946

RECONCILIATION STATEMENTS OF DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER DIFFERENT GAAP

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

Unit: RMB'000

	Net profit		**Net asset**	
	2009	2008	2009	2008
Amount under CAS	84,029	598,298	5,555,662	5,644,946
Adjustment and amount under HKFRS:				
Government grants for year 2006	957	538	-16,727	-17,684
Amount under HKFRS	84,986	598,836	5,538,935	5,627,262

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 from 1 January 2007 ("first adoption date"). In accordance with CAS, 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.