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 2010

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 2010, together with the comparative figures for the same period of 2009. 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 HONG KONG FINANCIAL REPORTING STANDARDS

(1) CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2010

	Note	**30 June 2010** *RMB'000*	31 December 2009 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	8	**8,727,679**	7,951,111
Land use right		**332,336**	335,841
Available-for-sale financial asset		**20,000**	5,000
Deferred income tax assets		**117,132**	118,387
Trade and other receivables	10	**50,810**	50,780
Total non-current assets		**9,247,957**	8,461,119
Current assets			
Inventories	9	**5,597,998**	4,066,174
Prepaid taxation		**1,854**	1,854
Trade and other receivables	10	**3,227,404**	1,848,374
Restricted cash		**61,136**	185,989
Cash and cash equivalents		**1,237,567**	1,404,948
Total current assets		**10,125,959**	7,507,339
Total assets		**19,373,916**	15,968,458

	Note	30 June 2010 RMB'000	31 December 2009 RMB'000
EQUITY			
Capital and reserves attributable to the Company's shareholders			
Share capital	11	**1,733,127**	1,733,127
Other reserves		**1,685,412**	1,685,412
Retained earnings			
— Others		**2,121,844**	2,120,396
		5,540,383	5,538,935
Non-controlling interests		**146,079**	-
Total equity		**5,686,462**	5,538,935
LIABILITIES			
Non-current liabilities			
Trade and other payables	12	**400,000**	520,000
Borrowings	13	**2,533,365**	1,760,410
Deferred income		**200,766**	203,278
Obligation under finance leases	14	**1,487,111**	1,130,793
Total non-current liabilities		**4,621,242**	3,614,481
Current liabilities			
Trade and other payables	12	**4,014,492**	2,634,611
Borrowings	13	**4,793,546**	4,104,005
Obligation under finance leases	14	**258,174**	76,426
Total current liabilities		**9,066,212**	6,815,042
Total liabilities		**13,687,454**	10,429,523
Total equity and liabilities		**19,373,916**	15,968,458
Net current assets		**1,059,747**	692,297
Total assets less current liabilities		**10,307,704**	9,153,416

(2) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Note	**RMB'000**	RMB'000
Sales	15	**6,947,852**	5,241,984
Cost of goods sold		**(6,354,372)**	(4,710,698)
Gross profit		**593,480**	531,286
Selling and marketing costs		**(172,357)**	(139,233)
Administrative expenses		**(265,352)**	(247,873)
Other net gains		**11,538**	13,064
Operation profit		**167,309**	157,244
Finance costs		**(165,527)**	(116,106)
Profit before income tax		**1,782**	41,138
Income tax expense	17	**(1,255)**	(9,037)
Profit for the period		**527**	32,101
Other comprehensive income for the period (after taxation and reclassification adjustments)		**—**	—
Total comprehensive income for the period		**527**	32,101
Attributable to:			
— Equity shareholders of the Company		**1,448**	32,101
— Non-controlling interests		**(921)**	—
Total comprehensive income for the period		**527**	32,101
Earnings per share for profit attributable to the Company's shareholders during the period:			
— Basic and diluted	18	**RMB0.001**	RMB0.020

(3) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2010

		Attributable to equity shareholders of the Company							
	Note	**Share capital** *RMB'000*	**Share premium** *RMB'000*	**Capital surplus** *RMB'000*	**Statutory common reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2009		1,733,127	894,259	216,071	566,679	2,217,126	5,627,262	—	5,627,262
Changes in equity for the six months ended 30 June 2009:									
Total comprehensive income for the period		—	—	—	—	32,101	32,101	—	32,101
Dividends relating to 2008	19(a)	—	—	—	—	(173,313)	(173,313)	—	(173,313)
Balance at 30 June 2009 and 1 July 2009		1,733,127	894,259	216,071	566,679	2,075,914	5,486,050	—	5,486,050
Changes in equity for the six months ended 31 December 2009									
Total comprehensive income for the period		—	—	—	8,403	44,482	52,885	—	52,885
Balance at 31 December 2009		1,733,127	894,259	216,071	575,082	2,120,396	5,538,935	—	5,538,935
Balance at 1 January 2010		1,733,127	894,259	216,071	575,082	2,120,396	5,538,935	—	5,538,935
Changes in equity for the six months ended 30 June 2010									
Paid-in Capital		—	—	—	—	—	—	147,000	147,000
Total comprehensive income for the period		—	—	—	—	1,448	1,448	(921)	527
Balance at 30 June 2010		1,733,127	894,259	216,071	575,082	2,121,844	5,540,383	146,079	5,686,462

(4) CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2010

		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Cash (used in)/generated from operations		**(1,503,502)**	(90,141)
Income tax paid		**—**	(77,819)
Net cash (used in)/generated from operating activities		**(1,503,502)**	(167,960)
Net cash used in investing activities		**(583,994)**	(502,562)
Net cash generated from financing activities		**1,920,115**	505,516
Net increase in cash and cash equivalents		**(167,381)**	(165,006)
Cash and cash equivalents at 1 January		**1,404,948**	1,147,053
Cash and cash equivalents at 30 June		**1,237,567**	982,047

Notes:

1 ORGANISATION AND PRINCIPAL ACTIVITIES

The Company is a joint stock limited liability company established in the People's Republic of China (the "PRC") in August 1997 as part of the restructuring ("Restructuring") of a state-owned enterprise known as Chongqing Iron and Steel Company (Group) Limited (the "Holding Company"). Pursuant to the Restructuring, the principal iron and steel business undertakings and one of the subsidiaries of the Holding Company, Chongqing Hengda Steel Industrial Co., Ltd. ("Hengda"), were taken over by the Company, whereupon the Company issued 650,000,000 state-owned shares of RMB1.00 each to the Holding Company. The Company issued 413,944,000 H shares which have been listed on The Hong Kong Exchanges and Clearing Limited since 17 October 1997.

In December 2002, the Company acquired all assets and liabilities of Hengda, the former subsidiary of the Company. At the same time, the Company disposed of its entire interest in Hengda to its Holding Company.

In June 2006, the Company has declared dividends of bonus shares of 319,183,200 shares. In February 2007, the Company has issued 350,000,000 ordinary A shares. The A shares of the Company have been listed on the Stock Exchange of Shanghai on 28 February 2007. As at 31 December 2007, the total number of shares of the Company has increased to 1,733,127,200.

On 4 December 2009, the Fifth Board of Directors' meeting passed the resolution on "Investment in the Construction of Chongqing Steel's Jingjiang Logistics Base". The Company plans to invest in the construction of the logistics base in the Xingang Park of the Economic Development Zone of Jingjiang City, Jiangsu province, and together with China Changjiang National Shipping (Group) Corporation, Chongqing Shipping (Group) Co., Ltd., Jiangsu New Yangzijiang Shipbuilding Co., Ltd., Jingjiang New Century Investment Co., Ltd., and Jingjiang Tianjiao Material Co., Ltd. to set up a new company, San Feng Jingjiang Port Logistics Company Limited ("the Subsidiary"), with a registered capital of RMB300,000,000. The Company is the controlling shareholder, holding a 51% share of the Susidiary. The Company has fully subscribed the capital of RMB153,000,000 in January and March 2010. On 12 January 2010, the Subsidiary has got its operating license.

Under the requirements of energy saving and emission reduction, industrial layout and planning of Chongqing Municipal Government, the Holding Company is required to carry out environmental relocation of its principal operations from Dadukou District of Chongqing City to Yanjia Industry Zone, Jiangnan Town, Changshou District of Chongqing City ("Changshou New Zone"). The Company is also subject to the relocation plan according to the requirement of Chongqing Municipal Government. Considering that the Company will commence the overall relocation with reference to the standard arrangement of Chongqing Municipal Government, the Company may cease the normal operation of part of its fixed assets, the Holding Company in an attempt to ensure steady production and operation of the Company, undertakes to use self-owned funds or part of the assets from the steel and iron project at Changshou New Zone as a compensation for the loss from fixed assets arising from the relocation of the Company. As at 30 June 2010, the preparation work for the Holding Company's environmental relocation as well as that of the Company is in progress. By the end of April 2010, The Company's main project of 4100 mm wide-thick steel plate production line has finished trial operation and commenced production.

The Company and the Subsidiary (collectively referred to as the "Group") is principally engaged in the manufacture and sale of steel products.

The address of the Company's registered office is No. 30, Gangtie Road, Dadukou District, Chongqing, the PRC.

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, interim financial reporting, issued by the Hong Kong Institute of Certificated Public Accountants ("HKICPA"). It was authorised for issue on 18 August 2010.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial report. The condensed interim financial report and notes thereon do not include all of the information required for a full set of financial report prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs")

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Group's statutory financial report prepared under HKFRSs for that financial year but is derived from those financial statements. Statutory financial report for the year ended 31 December 2009 is available from the Group's registered office. The Group's auditor has expressed an unqualified opinion on those financial report in their report dated 22 April 2010.

3 ACCOUNTING POLICIES

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial report, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial report. Details of these changes in accounting policies are set out in note 4.

4 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial report:

- Amendments to HKAS 27, Consolidated and separate financial statements

- Improvements to HKFRSs (2009)

With the setup of the Subsidiary, the Group firstly adopted HKAS 27, consolidated and separate financial statements. Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

The amendments to HKFRSs (2009) have had no material impact on the Group's financial report as the amendments and interpretations were consistent with policies already adopted by the Group.

5 FINANCIAL RISK

The Group's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 31 December 2009.

6 CRITICAL ACCOUNTING ESTIMATES

The preparation of interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense on a year to date basis. Actual results may differ from these estimates.

In preparing this condensed interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 31 December 2009.

7 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (products and services). On first-time adoption of HKFRS 8, operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Steel products: this segment manufactures and sells steel products. Currently the Group's activities in this segment are carried out in Mainland China.

- Logistics: this segment runs logistics on ore and steel transit. It was incorporated at 12 January 2010, no revenue has generated by this segment.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible and current assets with the exception of investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade and other payable attributable to the sales activities of the individual segments and bank borrowings managed directly by the segment with the exception of deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit before taxation. In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter segment revenue), depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment revenue is priced with reference to prices charged to external parties for similar orders. Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the period ended 30 June 2010 and 2009 is set out below:

	Steel Products		**Logistics**		**Total**	
For the six months ended	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	6,965,240	5,253,842	—	—	6,965,240	5,253,842
Inter-segment revenue	—	—	—	—	—	—
Reportable segments profit/(loss) before taxation	3,661	41,138	(1,879)	—	1,782	41, 138
Depreciation & amortization	164,716	152,403	4	—	164,720	152,403
Reportable segments assets	18,935,421	15,843,217	299,509	—	19,234,930	15,843,217
additions to non-current segment assets during the period	936,793	552,892	1,101	—	937,894	552,892
Reportable segments liabilities	13,686,066	10,429,523	1,388	—	13,687,454	10,429,523

(b) Reconciliations of reportable segment profit before taxation, assets and liabilities

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**6,965,240**	5,253,842
Elimination of inter-segment revenue	**—**	—
Consolidated revenue	**6,965,240**	5,253,842

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit/(loss) before taxation		
Total profit or loss for reportable segments	**1,782**	41,138
elimination of inter-segment profits	**—**	—
Consolidated profit before taxation	**1,782**	41,138

	At 30 June	At 31 December
	2010	2009
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**19,234,930**	15,843,217
Elimination of inter-segment	**—**	—
	19,234,930	15,843,217
Available-for-sale financial asset	**20,000**	5,000
Deferred income tax assets	**117,132**	118,387
Prepaid taxation	**1,854**	1,854
Consolidated total assets	**19,373,916**	15,968,458

	At 30 June	At 31 December
	2010	2009
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities and Consolidated total liabilities	**13,687,454**	10,429,523

(c) Geographic information

The location of the Group's revenue from external customers and the Group's non-current assets as fixed assets and land use rights are all in Mainland China.

8 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment *RMB'000*
Net book amount at 1 January 2009	6,704,129
Additions	1,545,047
Disposals	(142)
Depreciation and impairment	(297,923)
Net book amount at 31 December 2009	7,951,111
Net book amount at 1 January 2010	7,951,111
Additions	937,894
Disposals	(111)
Depreciation and impairment	(161,215)
Net book amount at 30 June 2010	8,727,679

(a) On 28 September 2009, the Company entered into a sales and lease back arrangement with Jianxin Financial Leasing Ltd. ("Jianxin") in relation to certain machinery equipment of the 4100 mm steel plate production line ("the Equipment"). The Equipment were awaiting commissioning has a carrying amount of RMB1,230,672,000 and were sold to Jianxin at a consideration of RMB1,400,000,000. The Company then leased back the Equipment for 60 months, from 29 September 2009 to 29 September 2014. Rent is calculated based on the leasing cost and rate; the initial leasing cost is RMB1,400,000,000, and the lease rate is one basis point (0.01%) below the interest rate for a 3-5 year loan designated in RMB quoted by the People's Bank of China. According to the asset transfer and leasing agreements, if no default occurs during the lease term, the ownership of the Equipment shall be automatically transferred to the Company, the lessee.

By the end of April 2010, the main project of the Equipment has finished trial operation and commenced production. As at 30 June 2010, the carrying amount of the Equipment was RMB1,220,724,000.

(b) On 12 April 2010, the fifth Board of Directors meeting passed the 33rd written resolution on two lease agreements with Minsheng Financial Leasing Co., Ltd. ("Minsheng"). The first lease agreement is a sale and lease back arrangement in relation to certain equipment of the 2700 mm Rolling Mill Production Line Relocation and Construction Project (the "2700 mm Project") with a financing amount of RMB510,000,000 and carrying amount of RMB510,221,000. The Company then leased back the Equipment for 36 months, from 15 May 2010 to 15 May 2013. Rent is calculated based on the leasing cost and rate; the initial leasing cost is RMB510,000,000, and the lease rate is five hundred basis points (5%) below the interest rate for a 3 year loan designated in RMB quoted by the People's Bank of China. , According to the asset transfer and leasing agreements, if no default occurs during the lease term, the Company can purchase the leased Equipments at a symbolic consideration of RMB10,000.

As at 30 June 2010, the carrying amount of the Equipment was RMB504,097,000.

(c) The second lease agreement has a financing amount of RMB440,000,000 whereby the Company will select the supplier and equipment to meet the requirements of the 2700 mm Project, and Minsheng would purchase the equipment direct from the supplier and lease to the Company. The Company then leased the Equipment for 36 months, from 15 May 2011 to 15 May 2014. Rent is calculated based on the leasing cost and rate; the initial leasing cost is RMB440,000,000, and the lease rate is five hundred basis points (5%) below the interest rate for a 4 year loan designated in RMB quoted by the People's Bank of China. , According to the asset transfer and leasing agreements, if no default occurs during the lease term, , the Company can purchase the leased Equipments at a symbolic consideration of RMB10,000.

As at 30 June 2010, this lease agreement has yet performed.

9 INVENTORIES

	30 June 2010 RMB'000	31 December 2009 RMB'000
Raw materials	**2,602,691**	2,153,423
Work in progress	**1,602,758**	893,386
Finished goods	**1,019,374**	288,850
Reusable materials	**373,175**	730,515
	5,597,998	4,066,174

Since the 4100mm steel plate production line is still in the commissioning stage during January to March 2010, 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 RMB188,262,000 has been capitalised in construction-in-progress.

10 TRADE AND OTHER RECEIVABLES

	30 June 2010 RMB'000	31 December 2009 RMB'000
Notes receivable	**1,397,368**	953,519
Accounts receivable *(Note (a))*	**333,992**	230,346
Trade receivables	**1,731,360**	1,183,865
Less: provision for impairment of trade receivables *(Note (b))*	**(144,740)**	(144,740)
Trade receivables — net	**1,586,620**	1,039,125
Receivables from fellow subsidiaries of the Holding Company *(Note (c))*	**390,890**	225,059
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	**380,811**	214,980
Prepayments and deposits	**778,629**	392,685
Other receivables	**538,872**	259,082
Less: provision for impairment of other receivables *(Note (d))*	**(6,718)**	(6,718)
Other receivables — net	**532,154**	252,364
	3,278,214	1,899,154
Less non-current portion : prepayment to suppliers	**(50,810)**	(50,780)
Current portion	**3,227,404**	1,848,374

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

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Trade receivables	**1,586,620**	1,039,125
Receivables from fellow subsidiaries of the Holding Company	**380,811**	214,980
Prepayments and deposits	**778,629**	392,685
Other receivables	**532,154**	252,364
	3,278,214	1,899,154

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Between 1 and 2 years	**20,760**	28,440
Between 2 and 5 years	**15,800**	22,340
	36,560	50,780

The remaining balance of the non-current prepayment is security deposit to Minsheng (Note 8(b)) for the finance lease contract.

(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 30 June 2010 is as follows:

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Within 3 months	**185,114**	82,234
Between 3 months and 1 year	**2,863**	2,766
Between 1 and 2 years	**979**	602
Between 2 and 3 years	**877**	585
Over 3 years	**144,159**	144,159
	333,992	230,346

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:

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
At the beginning of the period	**144,740**	144,562
Impairment loss recognised	**—**	2,459
Receivables written off during the period as uncollectible	**—**	(2,281)
At the end of the period	**144,740**	144,740

(c) The ageing analysis of receivables from fellow subsidiaries of the Holding Company as at 30 June 2010 is as follows:

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Within 3 months	**226,871**	99,744
Between 3 months and 1 year	**148,977**	110,087
Between 1 and 2 years	**43**	3
Between 2 and 3 years	**12**	9
Over 3 years	**14,987**	15,216
	390,890	225,059

(d) The provision for impairment of other receivables is as follows:

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Provision for impairment of other receivables	**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 RMB18,340,000 and RMB18,200,000 respectively. According to these verdicts and enforcement orders, the Company was requested to withhold in aggregate RMB36,540,000 dividends to be distributed to the Holding Company ("the Dividend"). The Courts seized RMB4,528,000 and RMB1,059,000 from the Company's bank accounts in 2005 and 2006 respectively.

In November 2006, as the Holding Company settled its debts amounting to RMB18,200,000, 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 this interim financial report is approved for issue, the case relating to the debts of RMB18,340,000 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 (Company) 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 RMB5,587,000 in prior years.

11 SHARE CAPITAL

Registered, issued and fully paid:	Number of shares *'000*	A shares subject to trading restrictions *RMB'000*	A shares *RMB'000*	H shares *RMB'000*	Total *RMB'000*
At 1 January 2009 / 31 December 2009 (nominal value of RMB1.00 each)	1,733,127	845,000	350,000	538,127	1,733,127
At 1 January 2010 / (nominal value of RMB1.00 each)	1,733,127	845,000	350,000	538,127	1,733,127
Change in equity for six months ended 30 June 2010:	—	(845,000)	845,000	—	—
At 30 June 2010 (nominal value of RMB1.00 each)	1,733,127	—	1,195,000	538,127	1,733,127

As approved by China Securities Regulatory Commission on 29 January 2007, the Group issued 350,000,000 ordinary A shares denominated in Renminbi on 6 February 2007 which were traded on 28 February 2007 at the Stock Exchange of Shanghai, with a face value of RMB1.00 each.

The 845,000,000 state-owned shares held by the Holding Company has been automatically converted into 845,000,000 A shares after the issuance of the A shares. The Holding Company has undertaken that, within a period of 36 months from the date of the listing of the A shares, it will not transfer or nominate any other persons to manage its A shares and will not proceed with any re-purchase of such A shares by the Company.

According to the "Implementing Measures for the Transfer of Some State-owned Shares from the Domestic Securities Market to the National Social Security Fund" (Cai Qi No. 94[2009]), jointly issued by the Ministry of Finance ("MOF"), State-owned Assets Supervision and Administration Commission ("SASAC"), China Securities Regulatory Commission ("CSRC") and National Council for Social Security Fund ("NCSSF") on 19 June 2009, "an incorporated company at the time of initial public offering, based on 10% of the actual shares issued, shall transfer some of the state-owned shares, to NCSSF." Furthermore, according to the requirements of the No. 63 Announcement, also jointly issued by the MOF, SASAC, CSRC and NCSSF on 19 June 2009, "shares to be transferred should be frozen from the date of the announcement". 35,000,000 shares of the Company held by the Holding Company have therefore been frozen by the China Securities Depository and Clearing Corporation, Ltd.. On 1 March 2010, the 845,000,000 non-circulating shares, held by the Holding Company at the time of the Company's listing on the A-share market, have been released, and 810,000,000 of these shares can be traded in the market.

The state-owned shares, the H shares and A shares rank pari passu in all respects.

12 TRADE AND OTHER PAYABLES

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Trade payables *(Note (a))*	**2,420,600**	1,424,757
Advances from customers	**1,269,841**	1,406,727
Amounts due to the Holding Company and its subsidiaries	**555,194**	135,566
Value added tax and other tax payables	**5,040**	68,924
Salaries payable	**82,229**	62,536
Deposits from customers	**9,095**	8,056
Other payables	**72,493**	48,045
	4,414,492	3,154,611
Less non-current portion:		
— Advances from a customer *(Note (b))*	**(400,000)**	(520,000)
Current portion	**4,014,492**	2,634,611

(a) The ageing analysis of trade payables as at 30 June 2010 is as follows:

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Within 6 months	**2,329,017**	1,346,548
Between 6 months and 1 year	**25,082**	14,787
Between 1 and 2 years	**17,364**	15,710
Between 2 and 3 years	**5,842**	7,432
Over 3 years	**43,295**	40,280
	2,420,600	1,424,757

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

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Between 1 and 2 years	**150,000**	270,000
Between 2 and 5 years	**250,000**	250,000
	400,000	520,000

13 BORROWINGS

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Non-current		
Unsecured bank borrowings	**2,533,365**	**1,760,410**
Current		
Unsecured bank borrowings	**4,793,546**	**4,104,005**
Total borrowings	**7,326,911**	**5,864,415**

Unsecured bank borrowings of RMB7,176,911,000 (31 December 2009: RMB5,235,415,000) are guaranteed by the Holding Company (Note 22(a)).

14 OBLIGATION UNDER FINANCE LEASES

As at 30 June 2010, the Company had obligations under finance leases repayable as follows:

	30 June 2010		**31 December 2009**	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	**Present value of the minimum lease payments** *RMB'000*	**Total minimum lease payments** *RMB'000*
Within 1 year	258,174	265,759	76,426	81,618
Between 1 and 2 years	418,071	479,909	131,444	158,618
Between 2 and 3 years	583,663	741,347	323,602	428,611
Over 3 years	485,377	716,635	675,747	1,023,066
	1,487,111	1,937,891	1,130,793	1,610,295
	1,745,285	2,203,650	1,207,219	1,691,913
Less: total future interest expense		(458,365)		(484,694)
Present value of lease obligations		1,745,285		1,207,219

The obligation under finance leases are guaranteed by the Holding Company (Note 22(a)).

15 SALES

Sales represent the revenue 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	
	2010 *RMB'000*	2009 *RMB'000*
Steel products	**6,618,143**	5,022,238
By-products	**329,709**	219,746
	6,947,852	5,241,984

The Company's customers are all based in the PRC and there was no individual customer with whom transactions have exceeded 10% of the Company's sales for the period ended 30 June 2010.

16 EXPENSE BY NATURE

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Depreciation	**160,989**	149,798
Amortisation	**3,505**	2,605
Staff costs	**528,962**	298,536
Raw materials and consumables used	**6,229,250**	3,950,603
Maintenance expenses	**130,387**	137,281
Rental for land use rights	**9,900**	9,000
Transportation expenses	**67,044**	148,457

17 INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Deferred income tax assets	**1,255**	9,037

(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.

The income tax rate applicable to the Subsidiary for the year is 25%.

(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 RMB238,692,000 on the domestic manufactured equipment purchased from 2004 to 2007. Of them, RMB12,178,000, RMB52,394,000, RMB53,287,000 and RMB86,214,000 were utilised to offset the Company's income tax liability for 2005, 2006, 2007 and 2008 respectively. The remaining RMB34,619,000 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) On 25 November 2009, the Company applied with the State Administration of Taxation of Chongqing for exemption from Value Added Tax for the sale and lease back arrangement with Jianxin (note 8(a)). As at the date of approval of the financial report, the Company has not received any formal written approval from the State Administration of Taxation of Chongqing. Concerning there is any approval from the Jianxin case, the Company suspended further application for Value Added Tax exemption in relation to the sale and lease back arrangement with Minsheng (note 8(b)).

As at 30 June 2010, if the approval from the tax authority is not available, the sale and lease back arrangement between the Company and Jianxin and Minsheng would decrease the net profit by RMB1,456,000 . It would result in an increase in current liability of RMB184,544,000 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 period presented.

18 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company of RMB1,448,000 (six months ended 30 June 2009: RMB32,101,000) by the weighted average number of ordinary shares in issue during the six months ended 30 June 2010 of 1,733,127,200 shares (six months ended 30 June 2009: 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.

19 DIVIDENDS

(a) 2009 dividend

During the Annual General Meeting of shareholders on 22 June 2010, it was resolved to declare no dividend in respect of 2009 (2008: RMB0.10 per share).

(b) Interim dividends

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

20 CONTINGENT LIABILITIES

As at 30 June 2010, other than the pending litigation as disclosed in Note 10(d), the Group had no material contingent liabilities.

21 COMMITMENTS

(a) Capital commitments for property, plant and equipment

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Investment contracts entered into but not performed or performed partially	**—**	15,000
Significant construction contracts entered into under performance or preparation of performance	**1,511,823**	1,636,235
Significant construction contracts entered into under authorization but without performance	**17,341**	78,792
Finance leases contracts entered into under performance or preparation of performance	**2,682,761**	1,691,913
	4,211,925	3,421,940

(b) Operating lease commitments

As at 30 June 2010, the future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Within 1 year	**19,769**	19,769
Between 1 and 5 years	**71,405**	72,493
Over 5 years	**36,979**	45,694
	128,153	137,956

22 MATERIAL RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

(a) As at 30 June 2010 the Company's bank borrowings of RMB7,176,911,000 (31 December 2009: RMB5,235,415,000) are guaranteed by the Holding Company (Note 13).

All liabilities under the lease agreement between the Company and Jianxin (note 14), as well as Minsheng (note 14), are guaranteed by the Holding Company. The guaranteed liabilities include but are not limited to unpaid due rent, default fines, agreed loss amounts (if applicable) and other payables.

(b) Other than the transactions described above, the following is a summary of the significant transactions entered into by the Group on normal commercial terms with the Holding Company and its fellow subsidiaries during the period:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Income		
Sales to fellow subsidiaries of the Holding Company *(Note (i))*	**775,111**	385,545
Fees received for supporting services *(Note (ii))*	**3,044**	1,042
Fees received for lease rental *(Note (iii))*	**240**	534
Expenditure		
Fees paid for supporting services *(Note (iv))*	**135,229**	88,948
Fees paid for lease rental *(Note (v))*	**519**	349
Purchase of raw materials and spare parts *(Note (vi))*	**1,066,086**	797,638
Purchase of property, plant and equipment *(Note (vii))*	**213,067**	111,110
Rental for land use rights *(Note 16 and Note (viii))*	**9,900**	9,000
Social welfare services *(Note (ix))*	**44,669**	27,116
Commissioning gains/losses settlement *(Note(x))*	**499,227**	—

(i) Sales to the fellow subsidiaries were made at prices determined by reference to market price or the prices as prescribed by the relevant Chongqing government departments.

(ii) Fees received for supporting services mainly represent fees charged to the fellow subsidiaries for internal railway transportation services at prices determined by reference to a profit mark-up above the cost of providing such services as agreed between the Group and the fellow subsidiaries.

(iii) Fees received for lease rental mainly represents fee charged to the fellow subsidiaries for the lease of the Group's factory premises at price determined by reference to a mark-up for maintenance over and above the cost of depreciation of the factory premises.

(iv) Fees paid for supporting services mainly represent fees charged for environmental, maintenance, technical, installation and transportation services provided by the fellow subsidiaries. These services were charged at prices determined by reference to market price or a profit mark-up above the cost of providing such services as agreed between the Group and the fellow subsidiaries, or prices prescribed by the relevant Chongqing government departments.

(v) Fees paid for lease rental mainly represents fee paid to the fellow subsidiaries for the lease of the subsidiaries' factory premises at price determined by reference to a mark-up for maintenance over and above the cost of depreciation of the factory premises.

(vi) Purchase of raw materials and spare parts was made at prices determined by reference to market price or a profit mark-up above the cost of providing such products as agreed between the Group and the fellow subsidiaries, or the prices offered by suppliers of such spare parts.

(vii) Purchase of property, plant and equipment was made at prices determined by reference to the prices offered by suppliers of such equipment.

(viii) Rental expenses payable to the Holding Company are in accordance with the lease agreements entered into between the Group and the Holding Company.

(ix) For social welfare expenses which were paid through the Holding Company, no handling fee was charged by the Holding Company.

(x) According to the Agreement for Trail Operation of Production Lines dated 24 December 2009 between the Holding Company and the Company in relation to the former's steel smelting production line and the latter's 4100 mm steel plate and 1780 mm hot rolled sheet production line, the gains or losses arising from the trail operation period shall be computed monthly and allocated between the two parties based on the proportions of respective asset values. The Holding Company shall pay / receive the Company the losses / gains arising from the operations. The agreement is temporarily set for 6 months commencing from the date of the agreement becoming effective. If the trail operation completes earlier, the agreement will terminate on the actual date the trial operation completes. During the trail production period, the Holding Company shall pay trial operation management fee of RMB1,000,000 per month to the Company.The Agreement for Trail Operation of Production Lines was terminated on 31 March 2010 by the two parties and replaced by the Agreement for Authorised Use of Assets (the "Agreement").

Pursuant to the Agreement dated 19 April 2010 between the Group and the Holding Company, the Group is authorised to use the operation comprises steel smelting production lines and relevant auxiliary public facilities of the Holding Company in Jiangnan Town, Changshou District, Chongqing with an investment amount of approximately RMB3,990,097,300 (the "Assets"). The term of the Agreement commences from 1 April 2010 to 31 March 2011 (tentatively for one year). The Holding Company shall not charge the Group any sum for the Group's authorized use of the Assets. The Holding Company agreed to provide the design of the relevant production lines and facilities, all the technical information of installation and the relevant facilities and coordinate installation, construction, technical support and services of the facilities' suppliers for the Group's use. The Group shall be responsible for the management of production and bear the profits and losses arising out of the use of such Assets.

(c) Key management compensation

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**1,190**	1,796

(d) Transactions with state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations ("state-owned entities"). Apart from transactions mentioned above, transactions with other state-owned entities include but are not limited to the following:

— sales and purchases of goods and other assets

— use of public utilities

— bank deposits and bank borrowings

These transactions are conducted in the ordinary course of the Group's business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for material transactions. Such pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

23 EVENTS AFTER THE BALANCE SHEET DATE

On 13 August 2010, the Company entered into the Agreement with the Parent Company under which the Parent Company has agreed to transfer 100% of the equity interest in Chongqing Iron & Steel Group Electronics Company Limited for a consideration of RMB37,861,900 which was paid in cash.

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

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

In the first half of 2010, steel companies' profitability was impacted to a relatively large extent by the dramatic fluctuation in domestic steel market and the surge in raw material prices to different extent. The Company proactively coped with the market changes through efforts in stabilizing the production in Dadukou District, Chongqing City ("Old Zone") and carried out product certification, sales and marketing activities in Jiangnan Town, Changshou District, Chongqing City ("New Zone") so as to gradually expand production scale, adjust product mix structure and ensure operating profit at the meanwhile. For the first half of 2010, the Company's sales revenue amounted to RMB6,947,852,000 and pre-tax profit amounted to RMB1,301,000, representing a year-on-year increase of 32.54% and a year-on-year decrease of 96.8%, respectively.

During the reporting period, the Company, following its well-designed production plans, put efforts in enhancement of production management and the performance of steel sales contracts while rationalizing production arrangement, fully making use of rest time for equipment maintenance and repair, keeping the inventory of steel billets on a reasonable level and balancing the operation of each rolling mill, so as to ensure stable production in the Old Zone. Through ensuring the smooth operation of blast furnaces, controlling the quality of raw and ancillary materials and setting output target for each production process, the Company successfully achieved smooth operation and efficient production in the New Zone. In the first half of 2010, the Company produced 1,006,400 tonnes of coke, 2,124,800 tonnes of pig iron, 2,263,400 tonnes of steel and 1,903,200 tonnes of steel products (billets), representing an increase of 51.34%, 47.08%, 41.48% and 27.36% as compared with the same period last year, respectively.

In response to the enlarged production scale and the increasing consumption of various raw and ancillary materials during the reporting period, the Company focused on increasing total resources and securing supply channels, and established and improved the systems in relation to raw material supply to coordinate supply between the New Zone and the Old Zone with an aim to secure the raw materials required by production . Meanwhile, the Company made the best of existing raw materials inventory and appropriately controlled the procurement volume based on the material requirements plan and with reference to market prices.

During the reporting period, the Company overcame the adverse effects of dramatic volatility in domestic steel market by strengthening market information collection and analysis and duly adjusting marketing strategies. In favourable market conditions, it stuck to marketing strategies that support prices and attract key strategic customers, while in unfavourable market environment, it strove to secure production and boost sales, thus keeping the Company's profitability stable. Meanwhile, the Company expanded the sales of 4100mm wide-thick plate products based on the existing customer base of 2700mm medium-gauge plates. The Company sold an aggregate of 1,707,000 tonnes of steel products (billets) in the first half of 2010, representing an increase 14.13% as compared with the same period last year.

During the reporting period, the quality management system for the New Zone was set up by the Company, which has operated effectively. Three plants in the New Zone, namely the steel plant, the medium-gauge plate plant and the hot-rolling thin sheet plant, have passed the quality system certification of China Classification Society. Meanwhile, the Company has been actively pushing forward the certification of steel plates for shipbuilding and obtained certifications from 8 classification societies including CCS, LR, GL, DNV, RINA, BV, NK and KR in the first half of 2010. In addition, the Company enhanced the trial production of 4100mm wide-thick plate products such as shipbuilding plates, carbon structural steel, low-alloy steel and steel for bridge building and developed the relevant production technique for production of 26 kinds of 2700mm medium-gauge plate products at 4100mm wide-thick plate production line, enabling most of the 2700mm medium-gauge plate products to be produced at the 4100mm wide-thick plate production line.

2. Analysis of principal operations during the reporting period

As at 30 June 2010, the Company's principal revenue amounted to RMB6,947,852,000 representing a year-on-year increase of 32.54%; profit before tax amounted to RMB1,302,000, representing a year-on-year decrease of 96.8%.

In the first half of 2010, the Company's revenue from principal operations in south-west region amounted to RMB3,469,123,000, representing a year-on-year increase of 1.08%; the Company's revenue from principal operations in other regions amounted to RMB3,478,729,000, representing a year-on-year increase of 92.21%.

Region	**revenue from principal operations** *(RMB'000)*	**Year-on-year increase/decrease in revenue from principal operations** *(%)*
South-west region	3,469,123	1.08
Other regions	3,478,729	92.21
Total	6,947,852	32.54

In the first half of 2010, the Company's revenue from sale of steel products (billets) amounted to RMB6,618,143,000, representing 95.25% of the total revenue, up 31.78% over the same period last year; revenue from sale of water granulated slag, coking by-products and other products of the Company amounted to RMB329,709,000, which accounted for 4.75% of the total revenue, up 50.04% from the same period last year.

Product	**For the first half of 2010**		**For the first half of 2009**		**Year-on-year increase/ decrease**
	RMB'000	*Percentage (%)*	*RMB'000*	*Percentage (%)*	*(%)*
Steel plates	3,510,557	50.53	2,190,074	41.78	60.29
Steel sections	1,663,840	23.95	1,613,343	30.78	3.13
Wire rods	805,704	11.60	803,464	15.33	0.28
Steel billets	562,729	8.10	309,754	5.91	81.67
Cool rolled plates	75,313	1.07	105,603	2.01	(28.68)
Subtotal	6,618,143	95.25	5,022,238	95.81	31.78
Others	329,709	4.75	219,746	4.19	50.04
Total	6,947,852	100.00	5,241,984	100.00	32.54

In the first half of 2010, the sales revenue of the Company's steel products (billets) increased by RMB1,595,905,000 as compared with the same period last year. The increase was attributable to (1) price recovery: the average selling prices of steel products (billets) was RMB3,877 per tonne, representing an increase of 15.46% from the same period last year, which increased sales revenue by RMB859,919,000; and (2) increased production and sales volume: the Company sold 1,707,000 tonnes of steel products (billets), representing an increase of 14.13% over the same period last year which increased sales revenue by RMB735,986,000.

Selling price

Selling price	First half of 2010 *(RMB/tonne)*	First half of 2009 *(RMB/tonne)*	Year-on-year Increase/ decrease *(%)*	Increase/ decrease in revenue *(RMB'000)*
Steel plates	4,036	3,496	15.45	469,638
Steel sections	3,756	3,305	13.65	199,793
Wire rods	3,648	3,151	15.77	109,787
Steel billets	3,587	3,155	13.69	67,781
Cool rolled plates	4,560	3,777	20.73	12,920
Total	3,877	3,358	15.46	859,919

Sales volume

Sales volume	First half of 2010 *(0'000 tonne)*	First half of 2009 *(0'000 tonne)*	Year-on-year Increase/decrease *(%)*	Increase/ decrease in revenue *(RMB'000)*
Steel plates	86.97	62.63	38.86	850,728
Steel sections	44.30	48.81	(9.24)	(149,056)
Wire rods	22.09	25.50	(13.37)	(107,449)
Steel billets	15.69	9.82	59.78	185,199
Cool rolled plates	1.65	2.80	(41.07)	(43,436)
Total	170.70	149.56	14.13	735,986

3. **Operating results during the reporting period**

In the first half of 2010, the Company's profit before tax amounted to RMB1,302,000, representing a decrease of RMB39,357,000 over the same period last year.

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	3,510,557	3,199,411	8.86	60.29	67.70
Steel sections	1,663,840	1,537,235	7.61	3.13	5.18
Wire rods	805,704	738,263	8.37	0.28	1.07
Steel billets	562,729	515,466	8.40	81.67	81.68
Cool rolled plates	75,313	81,514	(8.23)	(28.68)	(33.62)
Subtotal	6,618,143	6,071,889	8.25	31.78	34.74
Others	329,709	282,179	14.42	50.04	38.14
Total	6,947,852	6,354,068	8.55	32.54	34.89

(1) In the first half of 2010, gross profit from principal operations amounted to RMB593,784,000, representing an increase of RMB62,357,000 over the same period last year, mainly due to the following factors:

(i) In the first half of 2010, thanks to the rally in steel prices, the average selling price of the Company's steel products (billets) was RMB3,877 per tonne, representing an increase of 15.46% over the same period last year, which increased profit by RMB859,919,000.

(ii) Due to the enlargement of sale scale after the 4100mm wide-thick plates project put into production, the sales volume of steel products (billets) for the first half of 2010 amounted to 1,707,000 tonnes, representing a year-on-year increase of 14.13%, which increased profit by RMB72,933,000.

(iii) In the first half of 2010, the average selling cost of the Company's steel products (billets) increased by 18.6% from the same period last year to RMB3,557 per tonne, leading to a drop of approximately RMB902,556,000 in profit. This was mainly due to (a) the rise in the prices of ore, coal, alloy and pig iron; (b) the increase in power cost as a result of electricity price hike; and (c) the higher production cost for the major production facilities of the 4100mm wide-thick plates project which just commenced production and required additional time to achieve smooth operation.

(iv) In the first half of 2010, gross profit from sales of by-products such as water granulated slag, coking by-products, cutting steel leftover as well as water, electricity and steam increased by RMB32,061,000 from the same period last year to RMB47,530,000. The increase was primarily due to the recovery in prices of such by-products and the increase in sales volume of the by-products upon the operation of major facilities of the 4100mm wide-thick plate project.

(2) In the first half of 2010, expenses increased by RMB108,965,000 as compared with the same period last year, which was mainly due to (i) the increase in selling and distribution expenses arising from the rise in sales volume of steel products upon the operation of major facilities of 4100mm wide-thick plates project; and (ii) the increase in interest expenses owing to the increased loans.

4. Analysis on financial condition during the reporting period

(1) As at 30 June 2010, the Group's total assets amounted to RMB19,373,916,000 and total liabilities amounted to RMB13,671,207,000, with a gearing ratio of 70.57%. The current assets amounted to RMB10,125,959,000 while the current liabilities amounted to RMB9,066,212,000. The current ratio was 111.69%.

(2) In the first half of 2010, owing to the increase in inventory reserves and more payment settled by bills, the net cash outflow from operating activities amounted to RMB1,503,502,000 while net cash inflow from financing activities amounted to RMB1,920,115,000. The Company's cash and cash equivalents for the period decreased by RMB167,381,000 after deducting the net cash expenditures of RMB583,994,000 attributed to investment projects such as hot-rolled plates project and wide-thick plates project. As at 30 June 2010, the Company's cash and cash equivalents amounted to RMB1,237,567,000.

III. PROSPECTS

In the second half of 2010, as Europe sovereign-debt crisis continues, future growth of the world economy becomes even more uncertain. China's economy is moving on the track of the macro control. As the State steps up to eliminate outdated capacity and implement the adjusted export tax refund policy for steel products, China's steel export is likely to be restrained. Since overcapacity still exists in the steel industry, imbalance between demand and supply is to continue for long time. International iron ore price is determined quarterly. As prices of raw material and fuel go higher in China, growth potential of steel price is limited, which injured profitability of steel makers and added pressure to their operation. In the second half of the year, the Company aims to ensure stable and smooth operation, and fulfil its profit target. Meanwhile, it will continue exploring raw material supply sources, expend purchase of raw materials for production. Regular check and maintenance on equipments will be intensified. Production in the New Zone and Old Zone is to be balanced to maintain proper output scale. Certification and trail production of 4100mm products are to be continued in an effort to enhance product competitiveness in the market. With enhanced market analysis and connection between production and sales, the Company will promote the marketing for 4100mm wide-thick steel plate products and preliminary preparation for 1780mm products sales.

IV. 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. Audit Committee

After reviewing the unaudited interim financial statements of the Company for the six months ended 30 June 2010 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.

5. Use of Holding Company's assets

On 19 April 2010, the Company and the Holding Company entered into the Agreement for Authorized Use of Assets in respect of the steel smelting production lines and relevant auxiliary public facilities of the Holding Company in Jiangnan Town, Changshou District, Chongqing, for a tentative term of one year from 1 April 2010 to 31 March 2011. The Holding Company shall not charge the Company any sum for the Company's authorized use of assets.

Pursuant to the Agreement for Authorized Use of Assets, the Holding Company agreed to provide the design of the relevant production lines and facilities, all the technical information of installation and the relevant facilities, coordinate the relevant installation, construction, technical support and services of the facilities' suppliers for the Company's use, and pay insurance fees for such assets. During the period of authorized use of assets, the Company may independently arrange the production and operation of relevant assets and shall bear losses arising from the use of the assets, assume liabilities on safety and environmental protection arising from violation of standard operation and undertake losses unable to be covered by the compensation from insurance companies.

The entering into the Agreement for Authorized Use of Assets can avoid industry competition with the Holding Company, meanwhile, allow the smelting production lines to provide billets for the production of the 4,100mm rolling units and 1780mm rolling units which was built by the Company in Jiangnan Town, Changshou District, Chongqing.

Save as disclosed above, the Company was not involved in any material custody, contracting or leasing of assets of other companies or vice versa, nor did it entrust any party for cash asset management during the reporting period or occurred in previous periods but extending to the reporting period.

Publication of the 2010 Interim Report on the Website of The Stock Exchange of Hong Kong Limited

The 2010 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
Chairman
Dong Lin

Chongqing, the PRC
18 August 2010

As at the date of this announcement, the Directors of the Company comprises Mr. Dong Lin, Mr. Yuan Jin Fu, Mr. Chen Shan, Mr. Chen Hong, Mr. Sun Yi Jie, Mr. Li Ren Sheng, 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 2010 unaudited interim financial statements under PRC Accounting Standards and Difference between PRC Accounting Standards and Hong Kong Accounting Standards*

CONSOLIDATED BALANCE SHEET

30 June 2010

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

Item	Closing balance	Opening balance
Current assets		
Cash at bank and on hand	**1,298,703**	1,590,937
Bills receivable	**1,550,361**	1,059,242
Accounts receivable	**417,070**	194,863
Prepayments	**727,819**	341,905
Other receivables	**74,421**	26,700
Inventories	**5,597,998**	4,066,174
Other current assets	**459,587**	227,518
Total current assets	**10,125,959**	7,507,339
Non-current assets		
Long-term equity investments	**20,000**	5,000
Fixed assets	**6,456,985**	4,797,858
Construction in progress	**1,679,599**	2,908,862
Construction materials	**591,095**	244,391
Intangible assets	**332,336**	335,841
Deferred tax assets	**117,132**	118,387
Other non-current assets	**50,810**	50,780
Total non-current assets	**9,247,957**	8,461,119
Total assets	**19,373,916**	15,968,458
Current liabilities		
Short-term loans	**3,192,092**	2,280,313
Accounts payable	**2,420,600**	1,424,757
Advance from customers	**1,166,827**	951,578
Employee benefits payable	**82,229**	62,536
Taxes payable	**5,040**	68,924
Interest payable	**1,690**	1,200
Other payables	**338,106**	125,616
Non-current liabilities due within one year	**1,859,628**	1,900,118
Total current liabilities	**9,066,212**	6,815,042
Non-current liabilities		
Long-term loans	**2,533,365**	1,760,410
Long term payables	**1,487,111**	1,130,793
Other non-current liabilities	**584,519**	706,551
Total non-current liabilities	**4,604,995**	3,597,754
Total liabilities	**13,671,207**	10,412,796

Shareholders' equity		
Share capital	**1,733,127**	1,733,127
Capital reserve	**1,164,384**	1,164,384
Surplus reserve	**575,082**	575,082
Retained earnings	**2,084,037**	2,083,069
Minority interests	**146,079**	—
Total equity	**5,702,709**	5,555,662
Total liabilities and shareholders' equity	**19,373,916**	15,968,458

CONSOLIDATED INCOME STATEMENT

Jan-Jun 2010

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

Item			**Jan-Jun 2010**	Jan-Jun 2009
I.	**Operating income**		**6,965,240**	5,253,842
	Less:	Operating costs	**6,364,119**	4,719,528
		Business taxes and surcharges	**304**	141
		Selling and distribution expenses	**172,357**	139,233
		General and administrative expenses	**265,352**	
		Financial expenses	**169,987**	111,625
II.	**Operating profit (Losses denoted with "-")**		**-6,879**	35,442
	Add:	Non-operating income	**8,607**	5,799
	Less:	Non-operating expenses	**426**	582
III.	**Profit before income tax**		**1,302**	40,659
	Less:	Income tax expenses	**1,255**	9,037
IV.	**Net profit for the period**		**47**	31,622
V.	**Earnings per share:**			
	Basic earnings per share *(RMB)*		**0.001**	0.020
	Diluted earnings per share *(RMB)*		**0.001**	0.020
VI.	**Other comprehensive income for the period**		**—**	—
VII.	**Total comprehensive income for the period**		**47**	31,622
	Attributable to:	Shareholders of the Company	**968**	—
		Minority interests	**-921**	—

CONSOLIDATED CASH FLOW STATEMENT

Jan-Jun 2010

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

Item	Jan-Jun 2010	Jan-Jun 2009
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	**8,096,617**	6,131,419
Other cash received relating to operation activities	**6,736**	6,373
Subtotal of cash inflows	**8,103,353**	6,137,792
Cash paid for goods and services	**-8,799,498**	-5,675,818
Cash paid to and for employees	**-509,269**	-306,759
Cash paid for all types of taxes	**-295,270**	-259,463
Other cash paid relating to operating activities	**-2,818**	-63,712
Subtotal of cash outflows	**-9,606,855**	-6,305,752
Net cash outflow from operating activities	**-1,503,502**	-167,960
II. Cash flows from investing activities:		
Net cash received from disposal of fixed Assets, intagible assets and other non-current assets	**1,546**	1,124
Other cash received relating to investing activities	**5,265**	4,124
Subtotal of cash inflows	**6,811**	5,248
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets	**-575,805**	-507,810
Cash paid for acquisition of investments	**-15,000**	—
Subtotal of cash outflows	**-590,805**	-507,810
Net cash outflow from investing activities	**-583,994**	-502,562
III. Cash flows from financing activities:		
Cash received from investors	**147,000**	—
Cash received from borrowings	**3,784,626**	1,938,956
Other cash received relating to financing activities	**510,000**	—
Subtotal of cash inflows	**4,441,626**	1,938,956
Cash repayments of borrowings	**-2,322,130**	-1,293,023
Cash paid for dividends, profit distribution or interest	**-199,381**	-140,417
Subtotal of cash outflows	**-2,521,511**	-1,433,440
Net cash inflow from financing activities	**1,920,115**	505,516
IV. Net increase in cash and cash equivalents	**-167,381**	-165,006
Add: cash and cash equivalents at the beginning of the period	**1,404,948**	1,147,053
V. Cash and cash equivalents at the end of the period	**1,237,567**	982,047

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Jan-Jun 2010

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

	Amount of current period						Amount of last period					
	Attributable to shareholders of the Company						Attributable to shareholders of the Company					
Item	**Share capital**	**Capital reserve**	**Surplus reserve**	**Retained earnings**	**Minority interests**	**Total**	**Share capital**	**Capital reserve**	**Surplus reserve**	**Retained earnings**	**Minority interests**	**Total**
I. Balance at the beginning of the period	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
II. Changes in equity for the period (Decrease denoted with "-")												
(I) Net profit for the period				968	-921	47				31,622		31,622
(II) Other comprehensive income												
Subtotal of (I) & (II)				968	-921	47				31,622		31,622
(III) Shareholders contributions and decrease of capital												
— Contribution by shareholders					147,000	147,000						
(IV) Appropriation of profits												
— Distributions to shareholders										-173,313		-173,313
III. Balance at the end of the period	1,733,127	1,164,384	575,082	2,084,037	146,079	5,702,709	1,733,127	1,164,384	566,679	2,039,065	—	5,503,255

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 attributable to shareholders of the Company	968	1,448
Net assets attributable to shareholders of the Company	5,556,630	5,540,383

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.