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 2011

The board of directors (the "Board") of Chongqing Iron & Steel Company Limited (the "Company") and directors hereby announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 prepared in accordance with the PRC GAAP. The annual results announcement (the "Announcement") is extracted from the full text of the annual report (the "Annual Report"). For details, investors are advised to read the full text of the Annual Report.

This announcement is published in Chinese and English respectively. If there is any difference between Chinese version and English version, the Chinese version shall prevail.

I. FINANCIAL SUMMARY

1. Major Financial data

Unit: RMB'000

Item	**2011**	2010	Increase/ decrease from last year *(%)*	2009	2008
Operating revenue	**23,532,945**	16,675,889	41.12	10,856,947	16,517,443
Total profit	**–1,375,096**	15,800	–8,803.14	103,556	605,764
Income tax	**95,979**	4,530	2,018.74	12,024	7,466
Net profit attributable to shareholders of the Company	**–1,471,082**	11,270	–13,153.08	91,273	598,298
Net profit after extraordinary gain and loss attributable to shareholders of the Company	**–1, 493,166**	–24,743	–5,934.70	63,853	601,228
Net cash flow from operating activities	**451,313**	–2,078,626	121.71	–790,275	483,509

	At the end of 2011	At the end of 2010	Increase/ decrease at the end of the year from the end of last year *(%)*	At the end of 2009	At the end of 2008
Total assets	**27,050,441**	22,668,457	19.33	15,968,458	12,424,968
Total liabilities	**22,809,326**	16,921,561	34.79	10,412,796	6,780,022
Shareholders' equity	**4,241,115**	5,746,896	–26.20	5,555,662	5,644,946

2. Major financial indicators

Unit: RMB'000

Item	**2011**	2010	Increase/ decrease from last year *(%)*	2009	2008
Basic earnings per share	**-0.849**	0.007	-12,228.57	0.05	0.35
Diluted earnings per share	**-0.849**	0.007	-12,228.57	0.05	0.35
Basic earnings per share after extraordinary gain and loss	**-0.862**	-0.014	-6,057.14	0.04	0.35
Return on net assets (fully diluted) *(%)*	**-34.69**	0.20	Decreased by 34.89 percentage points	1.63	10.6
Return on net assets (weighted average) *(%)*	**-30.52**	0.20	Decreased by 30.72 percentage points	1.62	11.01
Return on net assets net of extraordinary gain and loss (fully diluted) *(%)*	**-35.21**	-0.44	Decreased by 34.77 percentage points	1.14	10.65
Return on net assets net of extraordinary gain and loss (weighted average) *(%)*	**-30.98**	-0.44	Decreased by 30.54 percentage points	1.14	11.07
Net cash flow per share from operating activities	**0.26**	-1.20	121.67	0.46	0.28

	At the end of 2011	At the end of 2010	Increase/ decrease at the end of the year from the end of last year *(%)*	At the end of 2009	At the end of 2008
Net asset per share attributable to shareholders of the Company	**2.35**	3.23	–27.24	3.22	3.26

3. Extraordinary gain and loss items

Unit: RMB'000

Extraordinary gain and loss item	**Amount**
Gain or loss arising from disposal of non-current assets	1,781
Tax refunds, exemptions and reductions	5,479
Government grants	4,521
Net profits of subsidiaries arising from business combination under the same control for current period before the date of combination	1,529
Relevant usage fees which should be measured for use of relevant assets of the Parent Company for free	503,204
Actual additional expenses for preparation of environmental relocation	–495,660
Others	5,441
Effect on income tax	–4,211
Total	22,084

II. DIVIDENDS

As audited by auditors, the Group achieved net profit attributable to shareholders of the Company of RMB-1,471,082,000 in 2011. The retained profit of the Company at the end of 2010 was RMB 2,096,707,000 and the total distributable profit for 2011 was RMB625,625,000.

The Company suffered substantial losses in 2011 due to lower profitability of steel industry and high operating cost at the Company's New District. In order to relieve the Company's pressure of liquidity requirements and facilitate the Company's development of production and operation, the Board proposed neither to distribute profit for 2011 nor to transfer the capital reserve to share capital. Independent directors expressed independent opinions in respect of that the Company did not make the proposal for distribution of profit in cash.

III. REVIEW OF THE GROUP'S OPERATION DURING THE REPORTING PERIOD

1. Overall operation status of the Group

During 2011, as the ripple effect of the global financial turmoil and the European debt crisis intensified, the central government continued with its proactive fiscal policy and prudent monetary policy, and further strengthened and improved macroeconomic control. As a result, China's economic growth rate witnessed a decline on a quarterly basis, with the full-year GDP growth rate at 9.2%. Crude steel production in the PRC maintained rapid growth, recording a year-on-year increase of 8.9%. As the first half of 2011 saw a relatively fast release of steel production capacity, monthly growth rate decreased in the second half of the year with a gradual slowdown in the demands of downstream steel-consuming industries, low-lying net export of steel products, unexpected rising inventory pressure, substantial spike in capital cost, and drastic fluctuations in product prices. After October, product prices underwent a faster fall-back while raw material prices kept constantly surging at a pace faster than that of steel products prices on a year-on-year basis. After December, steel products prices witnessed a material drop and suffered from a lag effect. Sales margin of the industry in the fourth quarter dropped even faster, causing difficulties in production and operation.

During the reporting period, the Group produced 2,660,000 tonnes of coke, 5,580,000 tonnes of pig iron, 6,000,000 tonnes of steel and 5,520,000 tonnes of steel products (billets), representing an increase of 28.57%, 33.68%, 32.97% and 36.36% respectively as compared with the same period of last year; among which, the New District produced 1,970,000 tonnes of coke, 4,230,000 tonnes of pig iron, 4,530,000 tonnes of steel and 4,110,000 tonnes of steel products, representing an increase of 113.4%, 135.32%, 140.81% and 213.48% respectively as compared with the same period of last year. The Group recorded operating revenues of RMB23,532,945,000, representing a year-on-year increase of 41.12%, and pre-tax profit of RMB-1,375,096,000, representing a year-on-year decrease of 8803.14%.

During the reporting period, in face of various unfavourable situations, the Company, by placing emphasis on a "market-centred sales and sales-centred corporate operation" approach and aiming at economies of scale and systematic balance, reduced various accidents, unleashed potential by means of benchmarking key technical and economic indicators, adjusted raw material procurement pace to lower procurement costs, optimized product mix, and tenaciously fought against and overcame various difficulties by fulfilling fundamental management tasks (hot delivery and hot charging of billets, centralization of maintenance and repair, determination of departmental responsibilities, clean and civilized production, launching overachiever contests, reinforcement of performance evaluation, employee remuneration management, and etc.), and taking such other measures to ensure comprehensive, sustained and efficient operation in respect of the Company's production and management, and lay a foundation for smooth commencement of operation and steady performance of the 6-million-tonne steel production system in the New District.

During the reporting period, the Group stepped up search for and analysis of market information, accurately grasped changes in market dynamics and came up with effective countermeasures. Through material preparation in advance and solving key technological issues, the Group successfully overcame the adverse impact of the relocation of the 2700mm rolling mill production line on the sales of medium-gauge plates by using the 4100mm production line to produce medium-gauge plates of the Old District's specifications to ensure sustained supply to strategically key customers. Meanwhile, by categorizing the products of the 1780mm production line, and adopting differentiated pricing & sales models, the Group realized smooth sales of the related products. By putting in place the products sales and delivery coordination mechanism and establishing a customer service centre, the Group boosted the fulfilment rate of contracts and customer service quality. In order to turn itself into a production base of choice steel for shipbuilding in China, the Group stepped up its efforts in the analysis, positioning and sales of the consumer market of plates for shipbuilding. Production of plates for shipbuilding amounted to 2.08 million tonnes, representing a year-on-year increase of 21.42% and accounting for 39.02% of the total steel products output of the Company. In 2011, the Group sold in aggregate 5,262,500 tonnes of steel products (billets), representing a year-on-year increase of 30.63%.

During the reporting period, by leveraging the restrictions of classification societies imposed on iron and steel enterprises in terms of production technology, equipment, quality and standards, and reinforcing quality monitoring over key production procedures of steel for shipbuilding, the Company, with the reverse thinking of "certification-driven production", innovated the production organizational mode, and facilitated the optimization and standardization of the entire production process. Of the 31 indicators incorporated into quality appraisal and monitoring of the New District, 28 reached the planned level and 26 reached the specific targets, with target fulfilment rate hitting 83.87%. Hence the Group's control target of maintaining stable quality in the Old District and gradually improving quality in the New District has been attained. While rapidly pushing forward completion of its plants certification by classification societies of nine countries, the Group has completed the one-off "joint certification by classification societies of eight countries" of the 80mm-thick normalized ship plates (the most difficult in the history of the Company), certification of E47 ultra-high-strength steel for shipbuilding, certification of 2700mm steel production line for shipbuilding and the production licenses for furnaces and vessel plates. Furthermore, the Group proactively pressed ahead with the establishment and implementation of the quality/safety/environment management systems and the inspection centre management system, and passed the laboratory accreditation on-site appraisal organized by China National Accreditation Service at one go.

During the reporting period, the Group reinforced development of the 4100mm production line products and 1780mm production line products in the New District. Throughout the year, the Group successfully developed 5 new products for trial production: high-strength bridge steel plates, thick plates for shipbuilding, steel strips for rotary pressure automobile wheel spokes, steel strips for hot rolled silicon steel, and SPHC mild-carbon steel strips. In 2011, the Group completed development and trial production of 530,700 tonnes of new products and special-purpose products with an output value of RMB2,354 million.

During the reporting period, the Group's environmental relocation project was progressing in a steady and coordinated manner. The 2,700mm rolling mill production line relocation project commenced in February, and realized heating load trial run in June. The Old District production line with annual steel capacity of 2.40 million tonnes was fully shut down in September. In the New District, the 2500M^3 3# blast furnace with annual capacity of 2.01 million tonnes completed construction and commenced operation in September; the 3# sintering machine with annual capacity of 3.56 million tonnes completed construction and commenced operation in October; the 5# coke oven project commenced construction in October 2010 and is expected to come into production in April 2012; the 3# coke dry quenching project commenced construction in July 2011 and is expected to be completed and put into production in April 2012.

2. Analysis on principle operations and operating status

With great volatility in the steel market, the entire industry was stuck in a pattern of low economic benefit with fluctuations throughout 2011. The first three quarters saw a mild turnaround in the steel market, with sales price moderately higher than 2010. However, a sharp downturn dominated the steel market in the fourth quarter, with steel price substantially dropping, and causing material adverse impact on the Company's profit. In addition, given its stronger capital demand since commencement of the environmental relocation of the Company and the resulting heavy finance costs, the Group posted significant losses in 2011. On the other hand, as the environmental relocation project of the parent company is close to the end; the Dadukou Old District realized a full shutdown in September; and the 2700MM production line in the Changshou New District completed construction and commenced operation, the production and sales volume of the parent company both scaled up. As at 31 December 2011, the Group's revenue from principal operations under the PRC accounting standards was RMB23,449,445,000, representing an increase of 41.22% as compared with last year. Net profit was RMB-1,471,075,000, down 13153% from last year.

(1) Analysis on revenue from principal operations

In 2011, the Group's revenue from principal operations amounted to RMB23,449,445,000, of which contributions from south-western region and other regions were RMB5,492,951,000 and RMB17,956,494,000, representing a decrease of 32.03% and an increase of 110.67% respectively as compared with last year.

Region	Revenue from principal operations	Increase/ decrease in revenue from principal operations from last year
	(RMB'000)	*(%)*
South-western region	5,492,951	–32.03
Other regions	17,956,494	110.67
Total	23,449,445	41.22

In 2011, the Group's revenue from principal operations amounted to RMB23,449,445,000, of which RMB22,174,770,000 was derived from sales of steel products (billets), representing 94.56% of the total revenue, up 41.48% over last year, and RMB1,274,675,000 was derived from sales of non-steel products, such as water granulated slag, coking by-products, cutting steel leftover and water, electricity and steam as well as provision of electronic engineering design and installation services, which accounted for 5.44% of the total revenue, up 36.89% over last year.

	2011		2010		Year-on-year
Product	**Amount**	**Percentage**	Amount	Percentage	increase
	(RMB'000)	***(%)***	*(RMB'000)*	*(%)*	*(%)*
Steel plates	**7,764,550**	**33.11**	8,802,753	53.01	–11.79
Steel billets	**1,058,460**	**4.51**	955,858	5.76	10.73
Steel sections	**3,145,078**	**13.41**	3,103,872	18.69	1.33
Wire rods	**1,573,575**	**6.71**	1,704,030	10.26	–7.66
Hot rolled coil	**8,168,129**	**34.83**	905,799	5.46	801.76
Cool-rolled coils	**464,978**	**1.98**	200,963	1.21	131.37
Subtotal	**22,174,770**	**94.56**	15,673,275	94.39	41.48
Others	**1,274,675**	**5.44**	931,195	5.61	36.89
Total	**23,449,445**	**100.00**	16,604,470	100.00	41.22

Sales price by products

Item	**2011**	2010	Year-on-year increase	Increase/ decrease in contribution to revenue
	(RMB/tonne)	*(RMB/tonne)*	*(%)*	*(RMB'000)*
Steel plates	**4,419**	4,042	9.33	661,115
Steel billets	**4,084**	3,563	14.62	135,043
Steel sections	**4,360**	3,756	16.08	435,665
Wire rods	**4,312**	3,700	16.54	223,319
Hot rolled coils	**3,968**	3,620	9.61	716,428
Cool-rolled coils	**4,595**	4,425	3.84	17,204
Total	**4,214**	3,890	8.33	2,188,774

Sales volume by products

Item	**2011**	2010	Year-on-year increase	Increase/ decrease in contribution to revenue
	(0'000 tonnes)	*(0'000 tonnes)*	*(%)*	*(RMB'000)*
Steel plates	**175.72**	217.78	–19.31	–1,700,065
Steel billets	**25.92**	26.83	–3.39	–32,423
Steel sections	**72.13**	82.64	–12.72	–394,756
Wire rods	**36.49**	46.05	–20.76	–353,720
Hot rolled coil	**205.87**	25.02	722.82	6,546,770
Cool-rolled coils	**10.12**	4.54	122.91	246,915
Total	**526.25**	402.86	30.63	4,312,721

(2) Analysis on operation

- Operating results of the Group

In 2011, the Group's net profit was RMB-1,471,075,000, down 13153% from the net profit of RM11,270,000 last year.

Item	**Amount for 2011** *(RMB'000)*	Amount for 2010 *(RMB'000)*	Year-on-year increase/ decrease *(%)*
Operating revenue	**23,532,945**	16,675,889	41.12
Operating costs	**(22,571,662)**	(15,356,321)	46.99
Business taxes and surcharges	**(27,105)**	(17,655)	53.53
Total period expenses	**(1,946,784)**	(1,428,657)	36.27
Assets impairment loss	**(867,845)**	(35,664)	2333.39
Gain from changes in fair value	**(15,071)**	(8,642)	74.40
Investment income	**0**	1,093	(100.00)
Operating profit	**(1,895,522)**	(169,957)	1015.30
Non-operating income	**528,287**	187,584	181.63
Non-operating expenses	**(7,861)**	(1,827)	330.27
Total profit	**(1,375,096)**	15,800	(8803.14)
Income tax expenses	**(95,979)**	(4,530)	2018.74
Net profit	**(1,471,075)**	11,270	(13153.02)

In 2011, the average selling price of the Group's steel products (billets) was RMB4,214 per tonne, representing an increase of 8.33% from the same period last year, which increased revenue by approximately RMB2,188,774,000. The sales volume of steel products (billets) amounted to 5,262,500 tonnes, representing a year-on-year increase of 30.63%, which increased revenue by RMB 4,312,721,000. However, the gross profit margin of the Company's principal businesses decreased significantly due to higher production and operation costs which led to a year-on-year increase of 47.43% in costs of principal businesses, outpacing the increase of 5.72% in the revenue from principal businesses for the same period, as a result of the surge in prices of raw materials including iron ore and coal, coupled with the effect of environmental relocation of the Group.

1) Gross profit from principal operations amounted to RMB933,576,000, representing a decrease of RMB341,253,000 as compared with last year, mainly attributable to increase in production and operation costs at two locations as a result of the price hike of raw and auxiliary materials and environmental relocation.

By industry	**Revenue from principal operations**	**Cost of principal operations**	**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**
	(RMB'000)	*(RMB'000)*	*(%)*	*(%)*	*(%)*	*(%)*
Steel products (billets)	22,174,770	21,521,638	2.95	41.48	48.01	–4.27
Steel plates	7,764,550	7,451,510	4.03	–11.79	–7.04	–4.91
Steel billets	1,058,460	1,021,259	3.51	10.73	13.91	–2.69
Steel sections	3,145,078	2,890,959	8.08	1.33	–0.54	1.73
Wire rods	1,573,575	1,419,557	9.79	–7.66	–8.79	1.12
Hot rolled coils	8,168,129	8,213,454	–0.55	801.76	771.21	3.53
Cool-rolled coils	464,978	524,899	–12.89	131.37	135.46	–1.96
Others	1,274,675	994,231	22.00	45.81	35.9	5.69
Total	23,449,445	22,515,869	3.98	41.71	47.43	–3.72

2) In 2011, the Group made RMB27,105,000 of provision for business tax and surcharge, representing an increase of RMB9,450,000 from last year.

3) According to relevant requirements of accounting standards, the decrease in the Group's current profit due to provision for assets impairment loss amounted to RMB867,845,000 in 2011, representing an increase of RMB832,181,000 from last year. This was mainly because that the plunge in steel price in the 4th quarter led to the significant drop in the price of inventory such as iron ore, as a result, the inventory impairment provision of RMB915,912,000 was made.

4) The period expense incurred by the Group was RMB1,946,784,000, representing an increase of RMB518,127,000 from last year, mainly attributable to: (1) the increase in repair costs of RMB188,972,000 due to the enlarged production scale; (2) a net increase of RMB320,086,000 in finance costs due to gradual increase of debt scale to cater for the capital needs by construction work and working capital needs associated with the environmental relocation, as well as the rise in interest costs and increase in interests on discounted bills.

5) The Group recorded non-operating net income of RMB520,426,000, representing an increase of RMB334,669,000, mainly attributable to the increase of compensation provided by the Chongqing Iron & Steel (Group) Company Limited, for loss incurred by the Company from environmental relocation, by way of authorized use of the steel smelting production lines and relevant auxiliary utilities in the New District by the Company for free.

- Cash flow of the Group

  In 2011, although the Group recorded relatively significant operating loss, the Group adhered to the principle of "depending expenditures on income" to properly plan income and expenditures and well control timing of cash payment. As a result, net cash flow from operating activities for the current period increased by RMB451,313,000. In addition, net cash flow from financing activities increased by RMB1,772,596,000 as a result of new finance leases and bank loans and the expenditures on construction investment projects associated with the environmental relocation of the Group amounted to RMB2,459,838,000. As a result, the net cash and cash equivalents of the Company for the current period decreased by RMB235,929,000.

- Liquidity, Financial Resources and Share Capital Structure

  As at 31 December 2011, cash at bank and on hand balances of the Group were RMB2,325,290,000; balance of short-term loans amounted to RMB4,048,189,000 which were mainly used for supplementing capital demand for daily production; Long term loans (excluding current portion payable within one year) amounted to RMB1,056,600,000 and long term payables (excluding the current portion payable within one year) amounted to RMB3,254,896,000, which were mainly used for wide-thick plates, sintering, coke oven, long steel products production line and Jingjiang Logistic Base projects 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 2011, the share capital structure of the Group was as follows:

Item	Amount *(RMB'000)*	Item	Amount *(RMB'000)*
Current assets	12,373,691	Current liabilities	16,274,686
Non-current assets	14,676,750	Non-current liabilities	6,534,640
Total assets	27,050,441	Shareholders' equity	4,241,115

As at 31 December 2011, the total assets of the Group amounted to RMB27,050,441,000, representing an increase of 19.33% from the end of last year. The total liabilities amounted to RMB22,809,326,000 while the gearing ratio was 84.32%. Current assets amounted to RMB12,373,691,000; current liabilities amounted to RMB16,274,686,000; current ratio was 0.76.

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

Current ratio = current assets/current liabilities

(3) Major suppliers and customers of the Group

Percentage in total procurement for major suppliers of the Company:	
Percentage in total procurement for the largest supplier of the Company:	8.41%
Percentage in total procurement for the top five suppliers of the Company:	19.23%
Percentage in total sales for major customers of the Company:	
Percentage in total sales for the largest customer of the Company:	6.20%
Percentage in total sales for the top five customers of the Company:	22.98%

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.

(4) The Operations and Results of the Group's Major Subsidiaries and Investees

RMB'000

No.	Name of Subsidiaries	Controlling Percentage	Major products and services	Registered capital	31 December 2011 Net assets	Net profit in 2010
1	Chongqing Iron & Steel Group Electronic Company Limited	100%	development, production and sale of computer software, electronic intelligence products; computer information network, automation system integration, and engineering design, installation and testing	10,626	41,513	12,829
2	San Feng Jingjiang Port Logistics Company Limited	51%	Cargo handling, lighterage, storage, traffic agent, storage, common carrier, sale of metal and metal mine, transportation technology consultant service	300,000	300,015	15
3	Jingjiang Sanfeng Steel Processing & Distribution Co., Ltd. （靖江三峰鋼材加工配送有限公司）	51%	Metal cutting, scrap steel crushing, cutting and provision of relevant technological consultation service, warehousing of common goods, and sales of scrap steel and steel products	100,000	70,000	0
4	Chongqing Iron & Steel Group Transportation Company Limited	100%	highway passenger and freight transportation, hazardous goods transportation, automobile repair, sales of specialized oil, sales of parts and components, and sales of CNG, etc.	21,000	45,755	3,636

As Jingjiang Sanfeng Steel Processing & Distribution Co., Ltd. was under construction, no profit was recorded during the Reporting Period.

3. Analysis on financial position

(1) Items of balance sheet

Item	**At the end of 2011**	At the end of 2010	Year-on-year increase/ decrease *(%)*	Percentage in total assets for the year *(%)*
Cash at bank and on hand	**2,325,290**	1,755,279	32.47	8.60
Other receivables	**264,008**	95,850	175.44	0.98
Other current assets	**415,137**	546,710	–24.07	1.53
Long-term equity investment	**5,000**	20,000	–75.00	0.02
Fixed assets	**7,344,844**	8,989,978	–18.30	27.15
Construction in progress	**3,252,903**	798,835	307.21	12.03
Construction materials	**1,537,078**	276,134	456.64	5.68
Liquidation of fixed assets	**2,026,600**	–	N/A	7.49
Deferred tax assets	**23,528**	116,200	–79.75	0.09
Other non-current assets	**84,500**	36,590	130.94	0.31
Short-term loans	**4,048,189**	3,244,509	24.77	14.97
Financial liabilities held for trading	**23,713**	8,642	174.39	0.09
Bills payable	**555,000**	–	N/A	2.05
Accounts payable	**4,808,932**	2,818,779	70.60	17.78
Employee compensation payable	**182,429**	119,106	53.17	0.67
Taxes payable	**8,978**	90,953	–90.13	0.03
Interest payable	**36,733**	14,383	155.39	0.14
Other payables	**420,746**	282,545	48.91	1.56
Non-current liabilities due within one year	**4,762,143**	2,047,803	132.55	17.60
Long-term loans	**1,056,600**	2,698,476	–60.84	3.91
Long-term payables	**3,254,896**	1,577,390	106.35	12.03
Special payables	**0**	8,968	–100.00	0.00
Other non-current liabilities	**256,296**	420,601	–39.06	0.95

1. The increase in cash at bank and on hand was mainly due to more guarantee monies than last year.

2. The rise in other receivables mainly resulted from an additional receivable in fixed assets depreciation of RMB135,604,000 undertaken to be compensated by the Parent Company incurred by environmental relocation.

3. The decrease in other current assets was mainly attributable to lower amount of deductible value-added tax.

4. The decrease in net long-term equity investment was mainly due to the Company's disposal of investment of RMB15,000,000 in Jiangsu Huayuan Metalwork Company Limited.

5. The increase in construction in progress and construction materials was mainly attributable to new projects involving sintering, coking, and long steel products production line.

6. The decrease in deferred tax assets was mainly due to estimated unavailability of sufficient taxable income in the coming period to offset the benefit of deferred tax assets, hence the Company did not recognized the deferred tax assets occurred in 2011.

7. The decrease in fixed assets and the increase in liquidation of fixed assets was mainly attributable to assets disposal in the Old District by the parent company.

8. The increase in other non-current assets was mainly due to the rise in finance lease guarantee monies.

9. Due to expanded production capacity and surging demands for engineering construction capital and working capital, the Group proactively broadened financing channels and adjusted and optimized capital structure, resulting in material changes in such items as short-term loans, financial liabilities held for trading, bills payable, accounts payable, interest payable, other payables, non-current liabilities due within one year, long-term loans, long-term payables, and other non-current liabilities.

10. The increase in employee compensation payable was mainly attributable to deferred contribution to the pension insurance in 2011.

11. The decrease in taxes payable was mainly due to consolidation of the locations for payment of the parent company's value-added tax which enabled that the input VAT amount associated with purchase of fixed assets at Changshou New District was fully utilized for tax deduction, thus resulting in a decrease in VAT payables for the current period.

12. The decrease in special payables was mainly attributable to inclusion into the capital reserve of the balance of the relocation compensation received by Chongqing Iron & Steel Group Electronic Company Limited ("Chongqing Electronic") after deducting the loss of fixed assets incurred during the relocation and other relevant charges.

(2) Items of income statement (please see the section headed "Operating results of the Company during the Reporting Period" under "2. Analysis on principle operations and operating status during the Reporting Period")

(3) Items of cash flow statement

Unit: RMB'000

Item	2011	2010	Main Reasons for the changes
Net cash flow from operating activities	**451,313**	–2,078,626	The Group strengthened inventory management which reduced the capital lock-up in inventory and controlled capital payment pace which increased payables.
Net cash flow from investing activities	**–2,459,838**	–1,648,831	Mainly attributable to increase in expenditures for such projects as medium-gauge plates, 3# sintering machine, 5# coke oven, long steel products production line and the Jingjiang logistics base, etc.
Net cash flow from financing activities	**1,772,596**	3,856,248	RMB2.0 billion of corporate bonds was issued in 2010.
Net increase of cash and cash equivalents	**–235,929**	128,791	Relatively large expenditure on environmental relocation and other investment projects reduced the cash and cash equivalents

IV. PROSPECTS

In 2012, the Central Economic Working Conference set forth the guideline of "pursuing progress amid stability", explicitly indicating that the government will focus on maintaining steady and rapid economic growth as a major annual objective by proceeding with an proactive fiscal policy and prudent monetary policy. With faster industrialization and urbanization in China, there are great potentials in domestic demands. However, in face of many uncertain and unstable factors, the steel industry remains in a grim situation. With great pressure from rising production costs, slower growth rate of downstream steel-consuming industries including shipbuilding, automobile and engineering machinery, and grave unbalance between supply and demand within the steel industry, the Company's profitability is therefore restricted.

In 2012, the operational objectives the Group include annual steel production of 6.5 million tonnes and profit of RMB60 million. To achieve the said objectives, the Group intends to adopt the following measures: (1) concentrate on fundamental management, special management, and cultural management based on system balance and optimization, fulfil scale-based efficiency enhancement centred on de-bottlenecking and full-capacity operation, realize cost reduction-based efficiency enhancement centred on structural adjustment and indicator optimization, fulfil management-based efficiency enhancement centred on lean management and precise service; (2) establish a turnaround leading group and task force, determine the Company's turnaround target, formulate and implement specific turnaround measures, with focus on contract fulfilment, capital appropriation reduction, structural adjustment, tapping potential by benchmarking, reduction of unplanned products, hot delivery and hot charging, boost of self-produced electricity and logistics cost reduction; (3) further expand resources procurement, stabilize procurement channels for raw materials, and enhance the raw materials direct supply capability of the New District; (4) continuously strengthen market analysis, and vigorously explore markets for 4100mm and 1780mm products; (5) actively proceed with relevant certification work in the New District, and facilitate the establishment and implementation of the Three Systems in the New District; (6) further develop new products based on the 4100mm and 1780mm production lines, and boost marketing of New District's products.

V. SIGNIFICANT EVENTS

1. Compliance with Code on Corporate Governance Practices and the Code of Corporate Governance for Listed Companies

As the Company was listed on Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), it shall comply with the requirements of the Code of Corporate Governance for Listed Companies of CSRC and the Code on Corporate Governance Practices of Stock Exchange in respect of corporate governance practices besides applicable laws and regulations. During the Reporting Period, the corporate governance of the Company was in line with the requirements of the Code of Corporate Governance for Listed Companies, and all 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 were adopted.

2. Model Code for Securities Transactions by Directors and Supervisors

The Company takes the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to Listing Rules of the Hong Kong Stock Exchange and the Rules on the Management of Shares Held by the Directors, Supervisors and Senior Management Officers of Listed Companies and the Changes Thereof (Zheng Jian Gong Si Zi No.56 [2007] by CSRC) as the code for securities transactions by its Directors, Supervisors, and Senior Management. After making specific enquiries to all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had complied with the requirements of Model Code concerning the securities transactions by Directors as at the date hereof.

3. Purchase, Sale or Redemption of Listed Shares

During the year ended 31 December 2011, the Company did not redeem any of its issued securities, nor purchase or sell any of its listed securities.

4. Audit Committee

The Audit Committee of the Company has reviewed with management the accounting principles, accounting standards and methods adopted by the Group and discussed auditing, internal controls and financial reporting matters. During the year, the Audit Committee convened two meetings for the purpose of reviewing of the audited accounts for 2010 and the unaudited interim accounts for 2011.

The Audit Committee convened a meeting on 27 March 2012 to review the audited accounts and results announcement for 2011.

5. Acquisition and Disposal of Assets and Business Combination by the Group during the Reporting Period

On 1 April 2011, the Company entered into the Equity Transfer Agreement with Parent Company under which the Company acquired 100% of the equity interest in Chongqing Iron & Steel Group Transportation Company Limited (the "Chongqing Transportation") for a consideration of RMB62,954,200. Relevant consideration was paid via settlement centre account of Chongqing United Assets and Equity Exchange. Chongqing Transportation contributed profit of RMB2,107,000 to the Company from the date of transfer to the end of 2011.

On 29 November 2011, the Company entered into the Acquisition Agreement with Beijing Centenary Benefits Company Limited to acquire 2 sets of residual heat power plants for a total consideration of RMB375 million.

On 29 December 2011, a resolution was passed at the 2011 second extraordinary meeting of the Board of the Company, approving the proposal regarding the Company to bid in an open tender process at Chongqing United Assets and Equity Exchange (重慶聯合產權交易所) for the acquisition of 100% of the equity interest in Chongqing Iron & Steel Group Iron Company Limited (the "Chongqing Steel") at price not more than RMB185.756 million. The proposal was approved at the extraordinary general meeting of the Company convened on 28 February 2012. As at the date hereof, the Company has not completed the acquisition of Chongqing Steel.

6. **During the Reporting Period, there were material custody, contracting, leasing of assets between the Company and other companies, but the Company did not have any wealth management matters**

On 31 March 2011, the Company and Parent Company entered into the Agreement for Authorised Use of Assets, pursuant to which the Parent Company agreed to provide its steel production lines and relevant auxiliary facilities in Changshou New District amounting to RMB 10.8 billion for the Company's use for free. The term of the Agreement for Authorised Use of Assets commences from 1 April 2011 to 31 March 2012 (tentatively for one year); During this period, if the Parent Company transfers or injects certain or all of the assets under authorized use to the relevant operations of the Company, and completes the legal proceedings of such transfer or injection, the term of authorized use of that part or all of the said assets shall be: from 1 April 2011 to the date of completion of delivery of such relevant assets.

In October 2011, the Parent Company have also authorized free use of the production line of RMB5.9 billion for steel smelting production line and its auxiliary public facilities which had reached an expected conditions for use, the authorized period is from 1 October 2011 to 31 March 2012.

As at 31 December 2011, the Parent Company have authorized free use of the production line of RMB16.76 billion for steel smelting production line and its auxiliary public facilities which had reached an expected conditions for use.

The way of authorised use is that the Parent Company provides the said assets to the Company and the Company provides operation conditions including raw materials and labor to carry out production and operation. Any operating profit or loss incurred from the use of the said assets during the period is undertaken by the Company.

7. Auditors

As approved at 2010 Annual General Meeting, the Board reappointed KPMG Huazhen and KPMG as the domestic and international auditors of the Company respectively. On 18 march 2011, a resolution was passed at the 2011 first Extraordinary General Meeting of the Company, pursuant to which the Company's international auditor KPMG ("International Auditor"), which was appointed at the 2009 Annual General Meeting, was dismissed, and KPMG Huazhen was retained to audit the financial statements for the year 2011 prepared under the PRC Accounting Standards for Business Enterprises and issue audit opinion in accordance with PRC auditing standards and to undertake all such activities as required to be performed by overseas auditors under the Listing Rules (including preliminary announcement on annual results, annual review of continuing connected transactions, etc.). The dismissal of International Auditor helps to improve efficiency and reduce information disclosure costs. There are no disagreements between the Company and the International Auditor. The dismissal has gone through necessary procedures in compliance with relevant laws, listing rules of the listing place and the Articles of Association. KPMG Huazhen has audited the financial statements prepared under PRC GAAP. The Company paid RMB3.50 million for audit of such financial statements. As at the end of the Reporting Period, it had provided auditing service for the Company for 5 year.

8. Report of the Supervisory Committee

The Supervisory Committee is in the opinion that there was no problem in legality of the Company's operation, the Company's financial status, the use of proceeds, acquisition and disposal of assets by the Company and connected transactions.

VI. THE ACCOMPANYINGS ARE AUDITED FINANCIAL STATEMENTS AND SOME NOTES OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2011 PREPARED UNDER THE PRC GAAP

The annual report of the Company for the year ended 31 December 2011 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 on or before 28 March 2011.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

Assets	2011	2010
Current assets		
Cash at bank and on hand	**2,325,290**	1,755,279
Bills receivable	**1,417,422**	1,531,832
Accounts receivable	**697,365**	590,570
Prepayments	**651,251**	823,033
Other receivables	**264,008**	95,850
Inventories	**6,603,218**	6,754,287
Other current assets	**415,137**	546,710
Total current assets	**12,373,691**	12,097,561
Non-current assets		
Long-term equity investments	**5,000**	20,000
Fixed assets	**7,344,844**	8,989,978
Construction in progress	**3,252,903**	798,835
Construction materials	**1,537,078**	276,134
Fixed assets to be disposed of	**2,026,600**	—
Intangible assets	**402,297**	333,159
Deferred tax assets	**23,528**	116,200
Other non-current assets	**84,500**	36,590
Total non-current assets	**14,676,750**	10,570,896
Total assets	**27,050,441**	22,668,457

Assets	**2011**	2010
Liabilities and shareholders' equity		
Current liabilities		
Short-term loans	**4,048,189**	3,244,509
Financial liabilities held for trading	**23,713**	8,642
Bills payable	**555,000**	—
Accounts payable	**4,808,932**	2,818,779
Advance from customers	**1,420,140**	1,617,640
Employee benefits payable	**182,429**	119,106
Taxes payable	**8,978**	90,953
Dividends payable	**—**	110
Interest payable	**36,733**	14,383
Other payables	**420,746**	282,545
Non-current liabilities due within one year	**4,762,143**	2,047,803
Other current liabilities	**7,683**	9,285
Total current liabilities	**16,274,686**	10,253,755
Non-current liabilities		
Long-term loans	**1,056,600**	2,698,476
Debentures payable	**1,966,848**	1,962,371
Long term payables	**3,254,896**	1,577,390
Special payables	**—**	8,968
Other non-current liabilities	**256,296**	420,601
Total non-current liabilities	**6,534,640**	6,667,806
Total liabilities	**22,809,326**	16,921,561

Assets	**2011**	2010
Liabilities and shareholders' equity *(continued)*		
Shareholders' equity		
Share capital	**1,733,127**	1,733,127
Capital reserve	**1,109,163**	1,163,621
Specific reserve	**1,560**	808
Surplus reserve	**605,633**	605,633
Retained earnings	**625,625**	2,096,707
Total equity attributable to shareholders of the Company	**4,075,108**	5,599,896
Minority interests	**166,007**	147,000
Total shareholders' equity	**4,241,115**	5,746,896
Total liabilities and shareholders' equity	**27,050,441**	22,668,457

BALANCE SHEET AS AT 31 DECEMBER 2011

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

Assets	**2011**	2010
Current assets		
Cash at bank and on hand	**2,205,461**	1,508,073
Bills receivable	**1,408,423**	1,528,778
Dividends receivable	**11,546**	—
Accounts receivable	**764,131**	456,239
Prepayments	**463,970**	768,409
Other receivables	**259,427**	85,794
Inventories	**6,568,691**	6,740,158
Other current assets	**404,801**	545,495
Total current assets	**12,086,450**	11,632,946
Non-current assets		
Long-term equity Investments	**286,044**	202,745
Fixed assets	**7,283,818**	8,927,168
Construction in progress	**2,750,191**	784,721
Construction materials	**1,537,078**	276,134
Fixed assets to be disposed of	**2,026,600**	—
Intangible assets	**321,823**	328,832
Deferred tax assets	**22,520**	115,244
Other non-current assets	**84,500**	36,590
Total non-current assets	**14,312,574**	10,671,434
Total assets	**26,399,024**	22,304,380

Assets	**2011**	2010
Liabilities and shareholders' equity		
Current liabilities		
Short-term loans	**3,942,189**	3,139,509
Financial assets held for trading	**23,713**	8,642
Bills payable	**560,000**	—
Accounts payable	**4,465,026**	2,774,757
Advance from customers	**1,417,302**	1,616,031
Employee benefits payable	**178,508**	115,067
Taxes payable	**7,167**	89,991
Interest payable	**36,733**	14,383
Other payables	**422,437**	276,649
Non-current liabilities due within one year	**4,762,143**	2,047,803
Other current liabilities	**7,684**	9,285
Total current liabilities	**15,822,902**	10,092,117
Non-current liabilities		
Long-term loans	**1,056,600**	2,698,476
Debentures payable	**1,966,848**	1,962,371
Long term payables	**3,254,896**	1,577,390
Special payables	**—**	160
Other non-current liabilities	**232,902**	420,601
Total non-current liabilities	**6,511,246**	6,658,998
Total liabilities	**22,334,148**	16,751,115

Assets	**2011**	2010
Liabilities and shareholders' equity *(continued)*		
Shareholders' equity		
Share capital	**1,733,127**	1,733,127
Capital reserve	**1,140,611**	1,156,267
Surplus reserve	**575,654**	575,654
Retained earnings	**615,484**	2,088,217
Total shareholders' equity	**4,064,876**	5,553,265
Total liabilities and shareholders' equity	**26,399,024**	22,304,380

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

			2011	2010
I.	**Operating income**		**23,532,945**	16,675,889
II.	**Less:**	**Operating costs**	**22,571,662**	15,356,321
		Business taxes and surcharges	**27,105**	17,655
		Selling and distribution expenses	**372,449**	410,858
		General and administrative expenses	**824,288**	587,838
		Financial expenses	**750,047**	429,961
		Impairment loss	**867,845**	35,664
	Add:	Gains from changes in fair value ("( )" for losses)	**(15,071)**	(8,642)
		Investment income ("( )" for losses)	**—**	1,093
III.	**Operating profit ("( )" for losses)**		**(1,895,522)**	(169,957)
	Add:	Non-operating income	**528,287**	187,584
	Less:	Non-operating expenses	**7,861**	1,827
	Including:	Losses from disposal of non-current assets	**461**	1,330
IV.	**Profit before income tax ("( )" for losses)**		**(1,375,096)**	15,800
	Less:	Income tax expense	**95,979**	4,530
V.	**Net profit for the year ("( )" for net losses)**		**(1,471,075)**	11,270
	Shareholders of the Company		**(1,471,082)**	11,270
	Minority interests		**7**	—

	2011	2010
VI. Earnings per share		
Basic earnings per share *(RMB)*	**(0.849)**	0.007
Diluted earnings per share *(RMB)*	**(0.849)**	0.007
VII. Other comprehensive income for the year	**—**	—
VIII. Total comprehensive income for the year	**(1,471,075)**	11,270
Attributable to:		
Shareholders of the Company	**(1,471,082)**	11,270
Minority interests	**7**	—

Note: For a business combination involving enterprises under common control occurred in 2011, the net profit made by the investee before the consolidation RMB1,529,000.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

			2011	2010
I.	**Operating income**		**23,388,326**	16,499,568
	Less:	Operating costs	**22,502,202**	15,239,021
		Business taxes and surcharges	**15,728**	8,434
		Selling and distribution expenses	**372,410**	410,858
		General and administrative expenses	**780,461**	548,224
		Financial expenses	**749,220**	429,250
		Impairment loss	**867,688**	32,676
	Add:	Gains from changes in fair value ("( )" for losses)	**(15,071)**	(8,642)
		Investment income ("( )" for losses)	**14,818**	1,079
II.	**Operating profit ("( )" for losses)**		**(1,899,636)**	(176,458)
	Add:	Non-operating income	**527,456**	187,133
	Less:	Non-operating expenses	**7,829**	1,812
	Including:	Losses from disposal of non-current assets	**431**	1,322
III.	**Profit before income tax ("( )" for losses)**		**(1,380,009)**	8,863
	Less:	Income tax expense	**92,724**	3,143
IV.	**Net profit for the year ("( )" for losses)**		**(1,472,733)**	5,720
V.	**Other comprehensive income for the year**		**—**	—
VI.	**Total comprehensive income for the year**		**(1,472,733)**	5,720

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

		2011	2010
I.	**Cash flows from operating activities:**		
	Cash received from sale of goods and rendering of services	**27,188,488**	20,635,739
	Refund of taxes	**5,479**	5,407
	Cash received relating to other operating activities	**17,445**	46,321
	Sub-total of cash inflows	**27,211,412**	20,687,467
	Cash paid for goods and services	**(25,394,082)**	(21,268,637)
	Cash paid to and for employees	**(1,075,123)**	(1,067,464)
	Cash paid for all types of taxes	**(275,637)**	(362,463)
	Cash paid relating to other operating activities	**(15,257)**	(67,529)
	Sub-total of cash outflows	**(26,760,099)**	(22,766,093)
	Net cash outflow from operating activities	**451,313**	(2,078,626)

	2011	2010
II. Cash flows from investing activities:		
Cash received from disposal of investments	**15,000**	514
Cash received from return on investments	**—**	1,079
Net cash received from disposal of fixed assets, intangible assets and other non-current assets	**17,444**	11,995
	111,209	9,408
Sub-total of cash inflows	**143,653**	22,996
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets	**(2,540,537)**	(1,517,390)
Cash paid for acquisition of investments	**—**	(16,575)
Net cash paid for acquisition of subsidiaries and other operating units	**(62,954)**	(37,862)
Cash paid relating to other investing activities	**—**	(100,000)
Sub-total of cash outflows	**(2,603,491)**	(1,671,827)
Net cash outflow from investing activities	**(2,459,838)**	(1,648,831)

	2011	2010
III. Cash flows from financing activities:		
Cash received from investors	**19,000**	147,000
Including: Cash received from minority shareholders of subsidiaries	**19,000**	147,000
Cash received from borrowings	**6,373,398**	7,906,479
Cash received from issuance of debentures	**—**	1,962,000
Cash received from finance leases	**2,223,880**	491,350
Sub-total of cash inflows	**8,616,278**	10,506,829
Cash repayments of borrowings	**(5,575,600)**	(6,116,649)
Cash paid for dividends, profit distributions or interest	**(671,943)**	(372,523)
Other cash paid relating to financing activities	**(596,139)**	(161,409)
Sub-total of cash outflows	**(6,843,682)**	(6,650,581)
Net cash inflow from financing activities	**1,772,596**	3,856,248
IV. Net increase in cash and cash equivalents (“( )” for decreases)	**(235,929)**	128,791
Add: Cash and cash equivalents at the beginning of the year	**1,537,352**	1,408,561
V. Cash and cash equivalents at the end of the year	**1,301,423**	1,537,352

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

		2011	2010
I.	**Cash flows from operating activities:**		
	Cash received from sale of goods and rendering of services	**26,947,580**	20,412,160
	Refund of taxes	**5,479**	5,407
	Cash received relating to other operating activities	**17,440**	18,646
	Sub-total of cash inflows	**26,970,499**	20,436,213
	Cash paid for goods and services	**(25,275,302)**	(21,175,155)
	Cash paid to and for employees	**(970,396)**	(968,192)
	Cash paid for all types of taxes	**(262,026)**	(347,965)
	Cash paid relating to other operating activities	**(15,219)**	(45,857)
	Sub-total of cash outflows	**(26,522,943)**	(22,537,169)
	Net cash outflow from operating activities	**447,556**	(2,100,956)

	2011	2010
II. Cash flows from investing activities:		
Cash received from disposal of investments	**15,000**	—
Cash received from return on investments	**3,272**	1,079
Net cash received from disposal of fixed assets, intangible assets and other non-current assets	**17,373**	11,942
Cash received relating to other investing activities	**11,192**	9,402
Sub-total of cash inflows	**46,837**	22,423
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets	**(2,242,293)**	(1,454,644)
Cash paid for acquisition of investments	**—**	(15,000)
Net cash paid for acquisition of subsidiaries and other operating units	**(113,955)**	(190,862)
Sub-total of cash outflows	**(2,356,247)**	(1,660,506)
Net cash outflow from investing activities	**(2,309,410)**	(1,638,083)

	2011	2010
III. Cash flows from financing activities		
Cash received from borrowings	**6,202,398**	7,801,459
Cash received from issuance of debentures	**—**	1,962,000
Cash received from finance leases	**2,223,880**	491,350
Sub-total of cash inflows	**8,426,278**	10,254,809
Cash repayments of borrowings	**(5,405,600)**	(6,111,649)
Cash paid for dividends, profit distribution or interest	**(671,238)**	(357,893)
Cash paid relating to other financing activities	**(596,139)**	(161,030)
Sub-total of cash outflows	**(6,672,977)**	(6,630,572)
Net cash inflow from financing activities	**1,753,301**	3,624,237
IV. Net increase in cash and cash equivalents ("( )" for decreases)	**(108,553)**	(114,802)
Add: cash and cash equivalents at the beginning of the year	**1,290,146**	1,404,948
V. Cash and cash equivalents at the end of the year	**1,181,593**	1,290,146

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

		2011							2010						
		Attributable to shareholders of the Company							Attributable to shareholders of the Company						
Item	*Note*	**Share capital**	**Capital reserve**	**Specific reserve**	**Surplus treasury**	**Retained earnings**	**Minority interests**	**Total**	Share capital	Capital reserve	Specific reserve	Surplus treasury	Retained earnings	Minority interests	Total
Balance at the end of the previous year		**1,733,127**	**1,141,708**	**808**	**583,452**	**2,095,409**	**147,000**	**5,701,504**	1,733,127	1,164,384	—	575,082	2,083,069	—	5,555,662
Add: adjustment for business combination under common control		**21,913**	**22,181**	**1,298**	**45,392**	**—**	**37,285**	**166**	29,979	4,201	1,389	73,020			
Balance at the beginning of the year		**1,733,127**	**1,163,621**	**808**	**605,633**	**2,096,707**	**147,000**	**5,746,896**	1,733,127	1,201,669	166	605,061	2,087,270	1,389	5,628,682
Changes in equity for the year															
1. Net profit for the year ("( )" for losses)		**—**	**—**	**—**	**—**	**(1,471,082)**	**7**	**(1,471,075)**	—	—	—	—	10,009	—	10,009
2. Other comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—	—	—
Sub-total of 1 & 2		**—**	**—**	**—**	**—**	**(1,471,082)**	**7**	**(1,471,075**	—	—	—	—	10,009	—	10,009
3. Appropriate of profits															
— Appropriation for surplus reserve	V. 37	**—**	**—**	**—**	**—**	**—**	**—**	**—**	—	—	—	572	(572)	—	—
— Distributions to shareholders		**—**	**—**	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—	—	—
4. Specific reserve															
— Accrued		**—**	**—**	**1,378**	**—**	**—**	**—**	**1,378**	—	—	1,000	—	—	—	1,000
— Utilized		**—**	**—**	**(626)**	**—**	**—**	**—**	**(626)**	—	—	(358)	—	—	—	(358)
5. Adjustment of capital reserve for business combination under common control		**—**	**(62,954)**	**—**	**—**	**—**	**—**	**(62,954)**	—	(37,862)	—	—	—	—	(37,862)
6. Purchase of minority interest		**—**	**—**	**—**	**—**	**—**	**—**	**—**	—	(186)	—	—	—	(1,389)	(1,575)
7. Investment in subsidiary		**—**	**—**	**—**	**—**	**—**	**19,000**	**19,000**	—	—	—	—	—	147,000	147,000
8. Others *(Note V. 32)*		**—**	**8,496**	**—**	**—**	**—**	**—**	**8,496**	—	—	—	—	—	—	—
Balance at the end of the year		**1,733,127**	**1,109,163**	**1,560**	**605,633**	**625,625**	**166,007**	**4,241,115**	1,733,127	1,163,621	808	605,633	2,096,707	147,000	5,746,896

Item	Note	2011 Share capital	2011 Capital reserve	2011 Specific reserve	2011 Surplus treasury	2011 Total	2010 Share capital	2010 Capital reserve	2010 Specific reserve	2010 Surplus treasury	2010 Total
Balance at the end of the previous year/the beginning of the year		**1,733,127**	**1,156,267**	**575,654**	**2,088,217**	**5,553,265**	1,733,127	1,164,384	575,082	2,083,069	5,555,662
Changes in equity for the year											
1. Net profit for the year ("( )" for losses)		—	—	—	**(1,472,733)**	**(1,472,733)**	—	—	—	5,720	5,720
2. Other comprehensive income for the year		—	—	—	—	—	—	—	—	—	—
Sub-total of 1 & 2		—	—	—	**(1,472,733)**	**(1,472,733)**	—	—	—	5,720	5,720
3. Appropriate of profits											
— Appropriation for surplus reserve		—	—	—	—	—	—	—	572	(572)	—
— Distributions to shareholders		—	—	—	—	—	—	—	—	—	—
4. Adjustment of capital reserve for business combination under common control		—	**(15,656)**	—	—	**(15,656)**	—	(8,117)	—	—	(8,117)
Balance at the end of the year		**1,733,127**	**1,140,611**	**575,654**	**615,484**	**4,064,876**	1,733,127	1,156,267	575,654	2,088,217	5,553,265

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

Chongqing, the PRC
28 March 2012

As at the date of this announcement, the Directors of the Company are: Mr. Deng Qiang (Chairman), Mr. Yuan Jin Fu (Non-executive Director), Mr. Xia Tong, 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)