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 2012

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 2012 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

Major financial data	2012	2011	Increase/ decrease from last year *(%)*	2010
Operating revenue	**18,458,776**	23,532,945	–21.56	16,675,889
Net profit attributable to shareholders of the Company	**98,813**	–1,471,082	106.72	11,270
Net profit after extraordinary gain and loss attributable to shareholders of the Company	**1,868,648**	–1,493,166	–25.15	–24,743
Net cash flow from operating activities	**5,314,613**	451,313	1,077.59	–2,078,626

	At the end of 2012	At the end of 2011	Increase/ decrease at the end of the year from the end of last year *(%)*	At the end of 2010
Net assets attributable to shareholders of the Company	**4,173,976**	4,075,108	2.43	5,599,896
Total assets	**31,106,399**	27,050,441	14.99	22,668,457

2. Major financial indicators

Major financial indicators	**2012**	2011	Increase/ decrease from last year *(%)*	2010
Basic earnings per share *(RMB/share)*	**0.057**	–0.849	106.71	0.007
Diluted earnings per share *(RMB/share)*	**0.057**	–0.849	106.71	0.007
Basic earnings per share after extraordinary gain and loss *(RMB/share)*	**–1.078**	–0.862	–25.06	–0.014
Return on net assets (weighted average) *(%)*	**2.4**	–30.52	32.92	0.20
Return on net assets net of extraordinary gain and loss (weighted average) *(%)*	**–45.31**	–30.98	–14.33	–0.44

3. Extraordinary gain and loss items and amounts

Unit: RMB'000

Extraordinary gain and loss item	**Amount for 2012**	Amount for 2011	Amount for 2010
Gain or loss arising from disposal of non-current assets	**–40,398**	1,781	7,824
Tax refund or relief arising from unauthorized approval, without official approval or on an occasional basis	**150**	5,479	5,407
Government subsidies (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) attributable to profits and losses for the period	**2,001,616**	4,521	10,715
Capital occupancy fee from non-financial enterprises recognized through profit or loss			
Profits and losses arising from business combination when the combination cost is less than the recognized fair value of net assets of the combined company			
Profit or loss of non-monetary asset exchange			
Profit or loss from entrusting others to invest or managing the assets			
Provision of impairment of all assets due to force majeure such as suffering from natural disaster			
Profit or loss of debt restructuring			
Enterprise restructured expenses such as employee resettlement compensation and integration expense, etc	**–17,157**		
Relevant usage fees which should be measured for use of relevant assets of the Parent Company for free	**162,739**	503,204	153,194

Profit or loss from transactions with obvious unfair transaction price			
Actual additional expenses for environmental relocation	**–163,739**	–495,660	–147,125
Subsidiaries' year-to-date net profit/loss arising from business combination of entities controlled by the same company		1,529	3,731
Profits or losses arising from contingencies which are not related to company's main business			
Profits or losses on change in fair value from financial assets and financial liabilities held for trading, as well as investment income from disposal of financial assets and financial liabilities held for trading and financial assets available for sales except for effective hedging related with normal businesses of the Company			
Reserves of impairment provision for account receivables individually tested for impairment			
Profits or losses from outside entrusted loans			
Profits or losses from change in fair value of investment real estate adopting the fair value mode to do the follow-up measurement			
The influence of the one-off adjustment of current period profits or losses on the profits or losses in current period in accordance with the laws and rules of tax and accounting			
Fee and commission incomes arising from trusted customer asset management business			
Other non-operating income and expenses except as listed above	**2,220**	5,441	8,639
Investment income	**369,274**		
Effect of minority interest			
Effect on income tax	**347,244**	4,211	6,372
Total	**1,967,461**	22,084	36,013

II. DIVIDENDS

As audited by auditors, the Group achieved net profit attributable to shareholders of the Company of RMB98,813,000 in 2012. The retained profit of the Company at the end of 2011 was RMB625,625,000 and the total distributable profit as at the end of 2012 was RMB723,080,000.

The Company still suffered substantial losses in 2012 after extraordinary gain and loss, due to lower profitability of the steel industry and high operating cost at the Company's New District. Given a still huge capital demand, great losses in production and operation, and low profit throughout the year, the Board proposed neither to distribute profit for 2012 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

As the European debt crisis continued to build and the global financial market was in great turmoil throughout 2012, the domestic economic growth slowed down notably and the iron & steel market remained sluggish. The grim industrial situation in the PRC painted a bleak picture of industry-wide losses and some steel enterprises even buried deep in losses, which indicated the iron & steel industry has virtually fared through the "severe winter". In face of such difficult market conditions, the Group was confronted with very challenging tasks as it had to deal with super strong pressure and impact from two external markets, i.e. steel products and raw materials, and also ensure systematic stability of production in the New District. Under such adverse conditions, through concerted efforts, while striving for market opportunities to ensure orders and suppliers, the Group firmly sought costs and expenditure reduction, expanded income streams, continued with tapping potential by benchmarking, optimized technical and economic indicators, actively adjusted the product mix and managed to achieve certain results in respect of stable production and loss control.

During the reporting period, the Group made remarkable progress in developing strategic customers and forged strategic partnerships with a number of new strategic customers. For instance, the Group joined hands with Yangzijiang Shipbuilding Group （揚子江船業集團） in development of new products (and successfully developed E40 and E47 ultra-high-strength ship plates).

During the reporting period, the Group faced up to difficulties in the supply of raw materials, took active countermeasures, duly adjusted purchase and supply tactics according to the operational plan and market conditions, and ensured the fulfillment of the target (i.e. ensuring supplies and production, cost cutting and efficiency improvement). By taking diversified, multi-form and multi-channel approaches, the Group looked for and secured the resources of raw materials and prevented relevant market risks; stepped up technical and economic analysis of raw materials, adjusted the supply structure thereof by combining work procedures and technologies, achieved effective and optimal allocation, and reduced the need for high quality raw materials; accurately controlled the whole process of external logistics, and lowered logistics costs through careful arrangements against changing conditions.

During the reporting period, the Group vigorously explored highly efficient production methods, as well as the "primary planning （一級計劃）" management model in respect of the pre-production system （鐵前系統）, steelmaking system and steel rolling system, fully brought into play the capacity of the existing equipment and maximally lifted capacity while reducing consumption by organizing contract-based production; stabilized operational management by reinforcing the "one molten iron tank" in the steelmaking techno-interface method （鐵鋼界面「一罐制」）, which evidently reduced the frequency of furnace damping down （高爐休風） this year due to steelmaking and techno-interface reasons, and effectively supported high-efficiency production; strengthened production organization and management over day-to-day billet transportation by optimizing the logistics cost, and substantially lowered the quantity of billet transported by vehicles.

During the reporting period, the Group strengthened quality supervision, control and management of the full process, optimized the inspection method, carried out quality breakthroughs, prevented systematic fluctuations, and ensured the attainment of stable enhancement of quality in the New District.

During the reporting period, the sales price of steel products dropped steeply. Even lower procurement costs for raw materials could not offset the loss arising from such sales price, which directly resulted in a decrease in the overall profit of the Company. In face of the huge pressure, while taking such measures as tapping potential by benchmarking, comprehensively reducing costs, increasing income, cutting expenditure and boosting the capital use efficiency, the Company also vigorously pressed ahead with assets reorganization and actively sought fiscal subsidy of the government for environmental relocation, which played a critical role in the cost reduction, efficiency enhancement and final turnaround of the Company.

During the reporting period, the Group produced 2,349,800 tonnes of coke, 5,134,300 tonnes of pig iron, 5,221,800 tonnes of steel and 4,705,600 tonnes of steel products (billets), representing a decrease of 11.73%, 8.13%, 13.03% and 14.75% respectively as compared with the same period of last year. The Group recorded operating revenues of RMB18,458,776,000, representing a year-on-year decrease of 21.56%.

2. Analysis on principal operations

2.1 Analysis table on relevant item changes in the income statement and the cash flow statement

Unit: RMB'000

Item	For the period	For the corresponding period of last year	Change (%)
Operating revenue	**18,458,776**	23,532,945	–21.56
Operating costs	**18,402,709**	22,571,662	–18.47
Selling and distribution expenses	**423,351**	372,449	13.67
General and administrative expenses	**650,617**	824,288	–21.07
Financial expenses	**1,006,021**	750,047	34.13
Net cash flow from operating activities	**5,314,613**	451,313	1,077.59
Net cash flow from investing activities	**–1,793,672**	–2,459,838	–27.08
Net cash flow from financing activities	**–1,427,800**	1,772,596	–180.55
Research and development expenses	**13,530**	12,248	10.47

2.2 Revenue

2.2.1 Analysis of factors causing changes in business revenue

In 2012, as a result of the global economic downturn, and decelerated growth of the Chinese economy, the increase rate in steel consumption by some industries was negative; with such contracted market demands, a "severe winter" came down upon the iron and steel industry, and the price of steel products declined substantially. The sales price and sales volume of the Group both dropped materially, as a result of the recession of the steel product market and the relocation of the production line for steel sections and rods. The price of our hit product, plates for shipbuilding, decreased notably, due to a generally sluggish shipbuilding market.

2.2.2 Analysis of factors affecting the revenue from in-kind sales of the Company's products

In 2012, the Group's revenue from sales of steel products (billets) was RMB17,419,977,000, representing a decrease of RMB4,754,793,000 from last year. One reason was the decline in the sales price, as the average sales price of steel products (billets) was RMB3,514/tonne, representing a decrease of 16.61% from last year, which resulted in a decrease of RMB3,493,969,000 in our revenue. The other reason was the decrease in sales volume, as the full-year sales volume of steel products (billets) was 4,957,400 tonnes, representing a decrease of 5.80% year on year, which reduced our sales revenue by RMB1,260,824,000.

Item	**2012**	2011	Year-on-year increase	Increase in revenue
	RMB/tonne	*RMB/tonne*	*(%)*	*(RMB'000)*
Steel plates	**3,642**	4,419	–17.58	–2,027,127
Steel billets	**3,030**	4,084	–25.81	–173,699
Steel sections	**3,316**	4,360	–23.94	–15,556
Wire rods	**3,991**	4,312	–7.44	–1,894
Hot rolled coil	**3,379**	3,968	–14.84	–1,235,899
Cool-rolled sheets	**3,979**	4,595	–13.41	–39,794
Total	**3,514**	4,214	–16.61	–3,493,969

Item	**2012**	2011	Year-on-year increase	Increase in revenue
	(0'000 tonnes)	*(0'000 tonnes)*	*(%)*	*(RMB'000)*
Steel plates	**260.89**	175.72	48.47	3,763,662
Steel billets	**16.48**	25.92	-36.42	-385,530
Steel sections	**1.49**	72.13	-97.93	-3,079,904
Wire rods	**0.59**	36.49	-98.38	-1,548,008
Hot rolled coil	**209.83**	205.87	1.92	157,133
Cool-rolled sheets	**6.46**	10.12	-36.17	-168,177
Total	**495.74**	526.25	-5.80	-1,260,824

2.3 *Costs analysis table*

Unit: RMB'000

By industry

By industry	Costs component	Amount for the period	Percentage of the amount for the period in total costs *(%)*	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs *(%)*	Year-on-year change *(%)*
Iron and steel	Raw materials	14,797,478	80.67	18,684,895	82.99	-2.32
Iron and steel	Energy	1,325,051	7.22	1,629,018	7.23	-0.01
Iron and steel	Labor and other expenses	2,154,015	11.74	2,077,572	9.23	2.51
Electronic engineering design, construction and installation	Labor and other expenses	27,466	0.15	81,419	0.36	-0.21
Transportation	Labor and other expenses	39,867	0.22	42,965	0.19	0.03

By product

By industry	Costs component	Amount for the period	Percentage of the amount for the period in total costs (%)	Amount for the corresponding period of last year	Percentage of the amount for the corresponding period of last year in total costs (%)	Year-on-year change (%)
Steel products (billets)	Expenses incurred for raw materials, energy and others	17,557,593	95.71	21,521,638	95.58	0.13
By-product	Expenses incurred for raw materials, energy and others	718,951	3.92	869,847	3.87	0.05
Electronic engineering design, construction and installation	Labor and other expenses	27,466	0.15	81,419	0.36	-0.21
Transportation	Labor and other expenses	39,867	0.22	42,965	0.19	0.03

2.4 *Expenses*

Item	**Amount for the period**	Amount for the previous period	Year-on-year change (%)
Selling and distribution expenses	**423,351**	372,449	13.67
General and administrative expenses	**650,617**	824,288	–21.07
Financial expenses	**1,006,021**	750,047	34.13

1. The increase in selling and distribution expenses was due to the rise in the ship inspection fee as the sales volume of plates for shipbuilding increased after the Group's production line of medium-gauge plates was put into operation.

2. The decrease in general and administrative expenses was attributable to lower maintenance and repair cost for the equipment in Changshou New District than that in Dadukou Old District, as such equipment was put into operation for a short time.

3. The increase in financial expenses was due to the increase in the interest on debts and the expense from discounted bills of the Group.

2.5 Research and development expenses

Table of detailed research and development expenses

Unit: RMB'000

Expensed research and development expenses for the period	13,089
Capitalized research and development expenses for the period	441
Total research and development expenses	13,530
Percentage of total research and development expenses in net assets *(%)*	3.28
Percentage of total research and development expenses in operating revenue *(%)*	0.07

2.6 *Detailed explanations for significant changes in the composition or sources of profit of the Company*

The net profit of the Group for 2012 amounted to RMB98,813,000, representing an increased of 106.72% as compared to RMB-1,471,082,000 for last year, mainly due to the following reasons:

1) Gross profit of principal operations decreased by RMB921,127,000 from 2011 to RMB12,449,000, mainly due to the decline in both the selling prices and volumes as a result of the continued slump in the steel market.

   The average selling price of the Group's steel products (billets) was RMB3,514 per tonne, down 16.61% year on year, leading to a decrease of approximately RMB3,493,969,000 in sales revenue. The sales volume of steel products (billets) decreased by 5.80% from 2011 to 4,957,000 tonnes, leading to a decrease of approximately RMB1,260,824,000 in sales revenue. The cost of principal operations (steel billets) dropped by 18.42% year on year as a result of the decrease in the prices of ore and coal and other raw and auxiliary materials. As the decrease in the cost of principal operations was lower than that in the revenue from principal operations, the gross profit for the current period saw a decline.

2) According to relevant enterprise accounting standards, the decrease in the Group's current profit due to provision for assets impairment loss amounted to RMB379,743,000 in 2012, representing a decrease of RMB488,102,000 from last year, mainly due to a decrease in the impairment of inventories such as steel and ore as compared with last year.

3) The period expense incurred by the Group was RMB2,079,989,000, representing an increase of RMB133,205,000 from last year, the main reason of which was set out in "Analysis of principal operations 2.4 Expenses".

4) The Group recorded net non-operating income of RMB2,126,327,000, representing an increase of RMB1,605,901,000, mainly attributable to the receipt of government subsidy amounting to RMB2 billion which was mainly used to make up the increased expenses in relation to environmental protection and operating expenses including financial expenses incurred by the environmental relocation of the Company.

5) In 2012, the Group recorded an investment income of RMB369,274,000, which included the investment gain of RMB307,000,000 from the transfer of 41% equity held by the Company in San Feng Jingjiang Port Logistics Company Limited, a subsidiary of the Company, at the consideration of approximately RMB430,000,000; and the income of RMB74,731,000 from revaluation of the fair value of the remaining 10% equity held by the Company.

3. Analysis on operation by industry, product or region

3.1 Principal operations by industry and product

Unit: RMB'000

	Principal operations by industry					
By industry	**Operating revenue**	**Operating costs**	**Gross profit margin** *(%)*	**Increase/ decrease in operating revenue from last year** *(%)*	**Increase/ decrease in operating costs from last year** *(%)*	**Increase/ decrease in gross profit margin from last year** *(%)*
Iron and steel	18,275,271	18,276,544	-0.01	-21.57	-18.38	-3.92
Electronic services	32,679	27,466	15.95	-65.73	-66.27	1.34
Transportation	48,376	39,867	17.59	-6.80	-7.21	0.37

	Principal operations by product					
By product	**Operating revenue**	**Operating costs**	**Gross profit margin** *(%)*	**Increase/ decrease in operating revenue from last year** *(%)*	**Increase/ decrease in operating costs from last year** *(%)*	**Increase/ decrease in gross profit margin from last year** *(%)*
Steel products (billets)	17,419,977	17,557,593	-0.79	-21.44	-18.42	-3.74
By-product	855,294	718,951	15.94	-24.14	-17.35	-6.91
Electronic engineering design, construction and installation	32,679	27,466	15.95	-65.73	-66.27	1.34
Transportation	48,376	39,867	17.59	-6.80	-7.21	0.37

3.2 Principal operations by region

Unit: RMB'000

Region	Operating revenue	Increase/ decrease in operating revenue from last year *(%)*
Southwestern region	7,588,674	38.15
Other regions	10,767,652	-40.03
Total	18,356,326	-21.72

4. 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: 8.07%
Percentage in total procurement for the top five suppliers of the Company: 28.60%

Percentage in total sales for major customers of the Company:
Percentage in total sales for the largest customer of the Company: 10%
Percentage in total sales for the top five customers of the Company: 35%

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.

5. The Operations and Results of the Group's Major Subsidiaries and Investees

RMB'000

Name of subsidiaries/ investees	Principal operations	Registered capital	Shareholding percentage (%)	Total assets	Net assets	Net profit
Chongqing Iron & Steel Group Electronic Company Limited	Maintenance and repair of elevators, development, production and sale of computer software, and software for electronic products, technical services, etc.	22,172	100	91,808	61,747	8,633
Chongqing Iron & Steel Group Transportation Company Limited	Ordinary freight, hazardous goods transportation, chartered bus transportation, vehicle maintenance and repair	21,000	100	86,413	45,165	–589
San Feng Jingjiang Port Logistics Company Limited	Cargo handling, lighterage, storage agency, freight agency, loading distribution, ordinary freight, etc.	300,000	10	1,370,054	300,078	63
Jingjiang Sanfeng Steel Processing & Distribution Co., Ltd. (靖江三峰鋼材加工配送有限公司)	Processing and distribution of steel products, manufacture and sales of steelwork	100,000	51	70,407	70,000	0
Jingjiang CIS Huadong Trading Co., Ltd. (靖江重鋼華東商貿有限公司)	Sales of metal and metallic ore, manufacture and sales of environmental pollution control equipment, etc.	50,000	100	630,151	52,469	2,469

6. Analysis on financial position

6.1 Items of balance sheet

Unit: RMB'000

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets *(%)*	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets *(%)*	Year-on-year increase/decrease *(%)*
Cash at bank and on hand	**3,800,917**	12.22	2,325,290	8.60	63.46
Bills receivable	**779,131**	2.50	1,417,422	5.24	–45.03
Accounts receivable	**1,057,179**	3.40	697,365	2.58	51.60
Prepayments	**880,823**	2.83	651,251	2.41	35.25
Other receivables	**1,802,681**	5.80	264,008	0.98	582.81
Inventories	**7,196,682**	23.14	6,603,218	24.41	8.99
Other current assets	**473,185**	1.52	415,137	1.53	13.98
Long-term equity investment	**109,739**	0.35	5,000	0.02	2094.78
Fixed assets	**8,282,293**	26.63	7,344,844	27.15	12.76
Construction in progress	**4,236,785**	13.62	3,252,903	12.03	30.25
Construction materials	**1,190,982**	3.83	1,537,078	5.68	–22.52
Liquidation of fixed assets	**320,732**	1.03	2,026,600	7.49	–84.17
Intangible assets	**350,789**	1.13	402,297	1.49	–12.80
Deferred tax assets	**17,892**	0.06	23,528	0.09	–23.95
Other non-current assets	**606,589**	1.95	84,500	0.31	617.86
Short-term loans	**5,620,216**	18.07	4,048,189	14.97	38.83
Financial liabilities held for trading	**1,556**	0.01	23,713	0.09	–93.44
Bills payable	**861,000**	2.77	555,000	2.05	55.14
Accounts payable	**7,486,179**	24.07	4,808,932	17.78	55.67
Advance from customers	**3,646,951**	11.72	1,420,140	5.25	156.80

Employee compensation payable	**157,904**	0.51	182,429	0.67	–13.44
Taxes payable	**5,618**	0.02	8,978	0.03	–37.42
Interest payable	**22,173**	0.07	36,733	0.14	–39.64
Other payables	**708,640**	2.28	420,746	1.56	68.42
Non-current liabilities due within one year	**3,862,674**	12.42	4,762,143	17.60	–18.89
Other current liabilities	**7,712**	0.02	7,683	0.03	0.38
Long-term loans	**799,408**	2.57	1,056,600	3.91	–24.34
Debentures payable	**1,971,617**	6.34	1,966,848	7.27	0.24
Long-term payables	**1,635,025**	5.26	3,254,896	12.03	–49.77
Other non-current liabilities	**126,750**	0.41	256,296	0.95	–50.55

1. The increase in the balance of cash at bank and on hand was mainly due to the RMB2 billion government grant in cash received by the Group in December 2012.

2. The decrease in the balance of bills receivable was mainly due to the Group's increased efforts in bills endorsement and bills discount in 2012.

3. The increase in the balance of accounts receivable was mainly attributable to a relatively relaxed credit policy extended by the Group to its long-term stable customers in 2012.

4. The increase in the balance of prepayments was mainly attributable to the increase in prepayment of the Group for goods in 2012.

5. The rise in the balance of other receivables mainly resulted from an additional receivable in fixed assets depreciation to be compensated by the Parent Company incurred by environmental relocation in 2012.

6. The increase in the balance of long-term equity investment was mainly due to its reduced shareholding in San Feng Jingjiang Port Logistics Company Limited from 51% to 10% after the Company's transfer of 41% equity interest therein, with its control over this company changed to be materially influential.

7. The increase in the balance of construction in progress was mainly attributable to extended project construction as a result of the Group's adjustment to the product mix in 2012.

8. The decrease in the balance of liquidation of fixed assets was mainly attributable to transfer of asset disposal loss arising from environmental relocation into other receivables.

9. The increase in the balance of other non-current assets was mainly attributable to the premium for production and construction land and other relevant taxes prepaid by the Group to the Land and Resources Bureau of Changshou District, Chongqing

10. The increase in the balance of short-term loans was mainly attributable to the fact that the Group increased some short-term loans from banks to meet the need of its production and operation.

11. The increase in the balance of bills payable was mainly due to the increase in the settlement amount of bills payable by the Group in 2012.

12. The increase in the balance of accounts payable was mainly due to the increase in the payments for construction and equipment as a result of certain delayed payments by the Group by way of the credit period extended by its suppliers and additional engineering projects in 2012.

13. The increase in the balance of advance from customers was mainly due to the rise in advance from such customers which had established long-term and stable strategic partnership with the Group, including China Shipbuilding Industry Complete Logistics Co., Ltd. (中船工業成套物流有限公司).

14. The decrease in the balance of interest payable was mainly attributable to the Group's one-time repayment of the principal and interest on borrowings upon maturity in 2012.

15. The increase in the balance of other payables was mainly attributable to the fact that the Group postponed the payment of some amounts due to related parties in 2012.

16. The decrease in the balance of long-term loans was mainly due to the reclassification of some long-term loans due within one year into non-current liabilities due within one year in 2012.

17. The decrease in the balance of long-term payables was mainly due to the payment of rents under finance leases by the Group in 2012.

18. The decrease in the balance of other non-current liabilities was mainly due to the transfer of the received prepayment for goods under the long-term sales and purchase agreement with Chongqing Urban Construction Investment Co., Ltd. (重慶市城市建設投資公司) into advances from customers.

6.2 Items of income statement (please see the section headed "2.2 Revenue")

6.3 Cash flow

In face of such grim situations as the global financial crisis, continued recession of the domestic steel products market and substantial decrease in the price of steel products, internally, the Company focused on tapping potential by benchmarking, optimized the product mix, strengthened capital plan management, firmly curbed current payment, properly appropriated the capital of suppliers, and controlled the rhythm of capital payment. Externally, the Company secured the financial subsidy of RMB2 billion, which relieved the pressure on capital payment to a certain degree. The increase in cash flow from operating activities for the period was RMB5,314,613,000. Net cash outflow of financing activities including repayment of finance leases and bank loans amounted to RMB1,427,800,000; Net cash outflow of investing activities after offsetting of the subsequent engineering expenses on environmental relocation with the net cash inflow of RMB286,359,000 on the transfer of equity interest in San Feng Jingjiang Port Logistics Company Limited, amounted to RMB1,793,672,000; and net increase in cash and cash equivalents for the period was RMB2,093,141,000.

Items of cash flow statement

Unit: RMB'000

Item	Jan.-Dec. 2012	Jan.-Dec. 2011	Main Reasons for the changes
Net cash flow from operating activities	**5,314,613**	451,313	The Company strengthened capital management with focus on cost reduction and expenditure control, controlled capital payment pace, properly appropriated the capital of suppliers, and obtained the government subsidy of RMB2 billion, which resulted in the net increase in cash flow from operating activities.
Net cash flow from investing activities	**-1,793,672**	-2,459,838	Mainly attributable to gradual completion of the environmental relocation project, trial operation for production of 3# sintering machine, 5# and 6# coke ovens, a decrease in expenditure on investment project, and net increase of RMB286 million in cash flow as a result of the transfer of equity interest in a subsidiary.
Net cash flow from financing activities	**-1,427,800**	1,772,596	Repayment of loans from Standard Chartered Bank, and finance lease payment for environmental relocation, which resulted in the net decrease.
Net increase in cash and cash equivalents	**2,093,141**	-235,929	Mainly due to the obtaining of RMB2 billion government subsidy, and the Company's measures for cost reduction and expenditure control.

IV. PROSPECTS

On the whole, the domestic and international economic environments and steel markets are still grave in 2013. Given the complicated economic situations, the world economy will continue to grow slowly, going out of the pre-crisis rapid development period and into one of deep change and adjustment. The GDP growth rate for 2013 is expected to stay at the same level as last year, around 8%, which means the domestic consumer demand for iron and steel will remain almost unchanged. Yet considering the domestic steel production capacity has already exceeded 1 billion tonnes, the pattern of an iron and steel industry struggling to break even and filled with fierce competition will not change much, at least in the short term, with competition possibly intensifying.

The production target for 2013: 6,340,000 tonnes of iron, 6,500,000 tonnes of steel and 6,000,000 tonnes of steel products.

Major tasks for 2013:

1. Have a clear understanding of the impact of the current and future macroeconomic situations on the production and operation of the iron and steel industry, clarify our development direction and realize turnaround through unified thinking, firm confidence and focus on four tasks, i.e. "highly efficient production, tapping potential by benchmarking, product mix, and performance management".

2. Stick to the market-oriented approach in pursuit of benefit and profit, strengthen coordination between production and sales to ensure higher production and sales of profitable products, and optimize the structure of product categories to improve efficiency.

3. Continuously optimize the production organization method under the guideline of highly efficient production, strive to achieve preset capacity and efficiency at all work procedures, fulfill systematic balance and balanced production.

4. Optimize production arrangements, boost the steelmaking and steel-rolling success rate and other indicators, reduce the number of unfinished contracts, raise contract fulfillment rate, and shorten the delivery period.

5. Encourage the enterprise to innovate, enhance, aim for technological progress and refined management, and vigorously promote the optimization and upgrade of the product mix and industrial structure.

6. Adhere to the principle of low-cost operation by taking a series of measures including tapping potential by benchmarking, consolidating internal management, controlling expenditures, and raising labor productivity, and strive for sensible integration of cost reduction, product research and development, and market development.

7. Enhance raw material procurement, realize scientific blending of ore and coal, and reasonable resource allocation, and create favorable conditions for production.

8. Step up equipment management, enhance the steady operation rate of equipment, and provide assurance for release of capacity through scientific arrangement and optimized overhaul.

9. Continue with solving key technological issues, actively apply new technologies, improve technological and economic indicators, stick to enhancement of product quality, improve the structure of product categories, meet market demands, safeguard the brand profile, and highlight cost effectiveness.

10. Firmly promote the "primary production management" model to seek economic benefits by enhanced management, strengthen management of the "iron-steel" and "steel-rolling" interface, ensure smooth logistics, and realize seamless connection among all production procedures.

11. Raise the awareness of safe and environment-friendly production, push through the accountability system regarding safety and environment protection, and ensure the safety and health of employees.

12. Improve the management standards, optimize the work process, define duties and responsibilities, strictly implement performance assessment, and firmly boost work efficiency and management effectiveness.

V. POTENTIAL RISKS

1. Industry-related risk

In spite of certain recovery in the world economy in 2013, the increase in the demand for iron and steel is still limited, and overcapacity and an overall difficult situation for the industry will remain.

2. Resource-related risk

In 2012, the iron ore market remained weak, with ore prices dropping all the way from the beginning of the year till the third quarter. But after a strong rebound in September and certain corrections for some time, the price of imported ore showed a strong ascending trend, as a result of the recovery of the steel products market at the end of 2012, and re-stocking of steel makers. In 2013, large fluctuations in the market price of iron ore will generate certain pressure on the production and operation of the Company.

VI. SIGNIFICANT EVENTS

1. Compliance with Corporate Governance Code 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 China Securities Regulatory Commission ("CSRC") and the Corporate Governance Code of the 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 Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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 (the "Model Code") as set out in Appendix 10 to Listing Rules of the 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 [2007] No.56 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 the Model Code concerning the securities transactions by directors as at the date hereof.

3. Corporate Governance Practices

The Company strives to raise the standard of corporate governance and regards corporate governance as part of value creation, so as to reflect the commitment of the Board and the senior management to abiding by corporate governance, maintain transparency and accountability to shareholders, and create the highest value to all shareholders.

Save for the deviations from code provision A.6.7, as at 31 December 2012, the Company has practiced the corporate governance principles and complied with all the code provisions (if applicable, including most of the recommended best practices) ("Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.

The Company failed to comply with code provision A.6.7 of the Corporate Governance Code, which requires the independent non-executive directors should attend the general meetings. However, due to other business commitment, the independent non-executive directors, Mr. Liu Tian Ni did not attend the 2011 annual general meeting and the 2012 second extraordinary general meeting of the Company; Mr. Liu Xing did not attend the 2011 annual general meeting of the Company; Mr. Zhang Guo Lin did not attend the 2012 second extraordinary general meeting of the Company. But all the other independent non-executive Directors attended the annual general meeting, the 2012 first and second extraordinary general meetings, and answered questions thereat, to maintain effective communication with shareholders of the Company.

4. Purchase, Sale or Redemption of Listed Shares

During the year ended 31 December 2012, the Company did not redeem any of its issued securities, nor purchase or sell any of its listed securities during this period.

5. 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:

The sixth meeting of the fourth Audit Committee was held on 27 March 2012, at which the following resolutions were made: (1) the annual financial report of the Group for the year ended 31 December 2011 was approved and submitted to the Board for consideration; (2) the full text and summary of the 2011 Annual Report, and the Annual Results Announcement for the year ended 31 December 2011 were approved and submitted to the Board for consideration; (3) the Company's continuing connected transactions for 2011 were confirmed; (4) the recommendation of the Audit Committee to the Board and the senior management on paying keen attention to the issues identified in the 2011 audit by the auditors; (5) the 2011 annual audit work report by KPMG Huazhen was approved and submitted to the Board for consideration; (6) the re-appointment of KPMG Huazhen and KPMG as the Company's domestic auditors for 2012 was approved and submitted to the Board for consideration.

The first meeting of the fifth Audit Committee was held on 29 August 2012, at which the Company's unaudited interim financial report for the six months ended 30 June 2012, the 2012 Interim Report and its summary, the unaudited Announcement of Interim Results for the six months ended 30 June 2012 were considered and approved.

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

The proposal in relation to the bidding by the Company of the 100% equity interest in Chongqing Steel at the Chongqing United Assets and Equity Exchange (重慶聯合產權交易所) approved at the first extraordinary general meeting held on 28 February 2012 was not implemented, due to adjustment to equity policies by the government.

On 17 December 2012, the Company entered into agreements respectively with Chongqing Shipping (Group) Co., Ltd. and Chongqing Energy Investment Group (重慶能源投資集團公司), in relation to the "transfer of 41% equity interest in San Feng Jingjiang Port Logistics Company Limited", among which, 25% equity interest was transferred to Chongqing Shipping (Group) Co., Ltd. at a consideration of RMB262,200,000, and 16% equity interest was transferred to Chongqing Energy Investment Group at a consideration of RMB167,800,000.

7. **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**

7.1 Leases

Unit: RMB'000

Name of lessor	Name of lessee	Status of leased assets	Amount of assets leasing	Date of commencement of lease	Expiry date of lease	Gain on lease	Basis of determination of such gain	Effect of gain on lease on the Company	Connected transaction or not	Connected relations
Chongqing Iron & Steel Company Limited (Sichuan Sales Branch)	Chengdu Chuangmeijia Decoration Engineering Co., Ltd. (成都創美家裝飾工程有限公司)	Normal	1,781.87	1 January 2012	31 December 2012	672.72	Pay-in slip of bank	It formed part of other operating income	No	Other

7.2 Authorised Use of Assets and Disposal Arrangement upon Expiration

On 31 March 2011, the Company and the Parent Company entered into Agreement for Authorized Use of Assets ("Agreement for Authorized Use of Assets"), pursuant to which the Company can use for free the steel smelting production line and relevant auxiliary public facilities of the Parent Company with investment amounts of RMB10.86 billion commencing from 1 April 2011 to 31 March 2012. (For details please refer to the announcement of the Company published on 1 April 2011). In September 2011, the Parent Company also authorized free use of the production line of approximately RMB5.9 billion for steel smelting production line and its auxiliary public facilities in Changshou New Zone which had reached expected conditions for use, the authorized period is from 1 October 2011 to 31 March 2012.

As the agreement on use of assets in the Changshou New Zone between the Company and the Parent Company expired on 31 March 2012, according to the Agreement on Material Assets Reorganization (relevant details were set out in the announcement of the Company dated 30 May 2012) and the Supplemental Agreement to the Agreement on Material Assets Reorganization (relevant details were set out in the announcement of the Company dated 24 October 2012) entered into by the Company and the Parent Company on 3 May 2012 and 24 October 2012, respectively, and the Preliminary Proposal announced on 30 May 2012, in order to ensure the normal production and operation of the Company during the material assets reorganization, the Parent Company continued to entrust the Company to operate all the target assets from the reference date (31 March 2012). Meanwhile, in the transition period (from the reference date and up to the completion date of the transaction), the Parent Company shall not charge the Company any usage fee for its use of the target assets and all the costs and expenses on the Company's use of the target assets shall be borne by the Company. Given the aforesaid arrangement, both parties would not adjust the consideration of the transaction in respect of the change in value of target assets arising from depreciation and amortization during the transition period. Based on the preliminary reorganization arrangement between the Company and the Parent Company in respect of the target assets, and the fact that the Company is still using the target assets, the Company shall make provision in respect of asset usage fee payable to the Parent Company at the depreciation (amortization) amount of the target assets during the transition period and offset accordingly the value of the target assets accounted for upon the completion of the reorganization, so as to reflect reasonably the cost of the Company for use of the target assets as well as adjustment to the value of target assets upon delivery of the target assets in future.

As at 31 December 2012, pursuant to the terms and conditions of the agreement and other transaction documents then signed by the parties, the Parent Company proposed to compensate the Company for the fixed assets impairment of the Old District resulting from the relocation with part of value of the target assets. The value of target assets, after deducting the fixed assets impairment of the Old District, will be purchased by the Company under the agreement from the Parent Company by way of issue of shares, assumption of liabilities and payment of cash as the consideration.

The material assets reorganization was approved at the Company's general meeting and reported to relevant regulatory authorities such as CSRC, and shall not come into effect before their approval is obtained.

8. Auditors

As approved at 2010 Annual General Meeting, the Board reappointed KPMG Huazhen and KPMG as the 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. On 31 May 2012, the 2011 annual general meeting of the Company passed the proposal for re-appointment of KPMG Huazhen (Special General Partnership) as the auditor and internal control auditor of the Company for the year 2012. KPMG Huazhen has audited the financial statements prepared under PRC GAAP. The Company paid RMB5 million of audit fee for integrated auditing service. As at the end of the reporting period, it had provided auditing service for the Company for 6 years.

9. 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 2012 PREPARED UNDER THE PRC GAAP

Consolidated balance sheet

as at 31 December 2012

(Expressed in thousands of Renminbi Yuan)

Assets	**2012**	2011
Current assets		
Cash at bank and on hand	**3,800,917**	2,325,290
Bills receivable	**779,131**	1,417,422
Accounts receivable	**1,057,179**	697,365
Prepayments	**880,823**	651,251
Other receivables	**1,802,681**	264,008
Inventories	**7,196,682**	6,603,218
Other current assets	**473,185**	415,137
Total current assets	**15,990,598**	12,373,691
Non-current assets		
Long-term equity investments	**109,739**	5,000
Fixed assets	**8,282,293**	7,344,844
Construction in progress	**4,236,785**	3,252,903
Construction materials	**1,190,982**	1,537,078
Fixed assets to be disposed of	**320,732**	2,026,600
Intangible assets	**350,789**	402,297
Deferred tax assets	**17,892**	23,528
Other non-current assets	**606,589**	84,500
Total non-current assets	**15,115,801**	14,676,750
Total assets	**31,106,399**	27,050,441

Liabilities and shareholders' equity	2012	2011
Current liabilities		
Short-term loans	**5,620,216**	4,048,189
Financial liabilities held for trading	**1,556**	23,713
Bills payable	**861,000**	555,000
Accounts payable	**7,486,179**	4,808,932
Advance from customers	**3,646,951**	1,420,140
Employee benefits payable	**157,904**	182,429
Taxes payable	**5,618**	8,978
Interest payable	**22,173**	36,733
Other payables	**708,640**	420,746
Non-current liabilities due within one year	**3,862,674**	4,762,143
Other current liabilities	**7,712**	7,683
Total current liabilities	**22,380,623**	16,274,686
Non-current liabilities		
Long-term loans	**799,408**	1,056,600
Debentures payable	**1,971,617**	1,966,848
Long term payables	**1,635,025**	3,254,896
Other non-current liabilities	**126,750**	256,296
Total non-current liabilities	**4,532,800**	6,534,640
Total liabilities	**26,913,423**	22,809,326

Liabilities and shareholders' equity *(Continued)*	**2012**	2011
Shareholders' equity		
Share capital	**1,733,127**	1,733,127
Capital reserve	**1,109,163**	1,109,163
Specific reserve	**1,615**	1,560
Surplus reserve	**606,991**	605,633
Retained earnings	**723,080**	625,625
Total equity attributable to shareholders of the Company	**4,173,976**	4,075,108
Minority interests	**19,000**	166,007
Total shareholders' equity	**4,192,976**	4,241,115
Total liabilities and shareholders' equity	**31,106,399**	27,050,441

Balance sheet

as at 31 December 2012

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

Assets	**2012**	2011
Current assets		
Cash at bank and on hand	**3,771,189**	2,205,461
Bills receivable	**769,881**	1,408,423
Accounts receivable	**931,263**	764,131
Prepayments	**304,375**	463,970
Dividends receivable	**—**	11,546
Other receivables	**1,794,099**	259,427
Inventories	**7,184,212**	6,568,691
Other current assets	**470,533**	404,801
Total current assets	**15,225,552**	12,086,450
Non-current assets		
Long-term equity investments	**224,597**	286,044
Fixed assets	**8,232,887**	7,283,818
Construction in progress	**4,233,224**	2,750,191
Construction materials	**1,190,982**	1,537,078
Fixed assets to be disposed of	**316,476**	2,026,600
Intangible assets	**346,662**	321,823
Deferred tax assets	**17,116**	22,520
Other non-current assets	**606,589**	84,500
Total non-current assets	**15,168,533**	14,312,574
Total assets	**30,394,085**	26,399,024

Liabilities and shareholders' equity	2012	2011
Current liabilities		
Short-term loans	**5,555,216**	3,942,189
Financial liabilities held for trading	**1,556**	23,713
Bills payable	**861,000**	560,000
Accounts payable	**7,445,606**	4,465,026
Advance from customers	**3,124,969**	1,417,302
Employee benefits payable	**154,204**	178,508
Taxes payable	**2,791**	7,167
Interest payable	**22,173**	36,733
Other payables	**744,930**	422,437
Non-current liabilities due within one year	**3,862,674**	4,762,143
Other current liabilities	**7,712**	7,684
Total current liabilities	**21,782,831**	15,822,902
Non-current liabilities		
Long-term loans	**799,408**	1,056,600
Debentures payable	**1,971,617**	1,966,848
Long term payables	**1,635,025**	3,254,896
Other non-current liabilities	**126,750**	232,902
Total non-current liabilities	**4,532,800**	6,511,246
Total liabilities	**26,315,631**	22,334,148
Shareholders' equity		
Share capital	**1,733,127**	1,733,127
Capital reserve	**1,140,611**	1,140,611
Surplus reserve	**577,012**	575,654
Retained earnings	**627,704**	615,484
Total shareholders' equity	**4,078,454**	4,064,876
Total liabilities and shareholders' equity	**30,394,085**	26,399,024

Consolidated income statement
for the year ended 31 December 2012
(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

	2012	2011
I. Operating income	**18,458,776**	23,532,945
II. Less: Operating costs	**18,402,709**	22,571,662
Business taxes and surcharges	**12,268**	27,105
Selling and distribution expenses	**423,351**	372,449
General and administrative expenses	**650,617**	824,288
Financial expenses	**1,006,021**	750,047
Impairment loss	**379,743**	867,845
Add: Gains from changes in fair value ("( )" for losses)	**22,157**	(15,071)
Investment income ("( )" for losses)	**369,274**	—
Including: Income from investment in associates and jointly controlled enterprises	**7**	—
III. Operating profit ("( )" for losses)	**(2,024,502)**	(1,895,522)
Add: Non-operating income	**2,168,322**	528,287
Less: Non-operating expenses	**41,995**	7,861
Including: Losses from disposal of non-current assets	**41,044**	461
IV. Profit before income tax ("( )" for losses)	**101,825**	(1,375,096)
Less: Income tax expense	**2,982**	95,979

	2012	2011
V. Net profit for the year („( )" for net losses)	**98,843**	(1,471,075)
Attributable to:		
Shareholders of the Company ("( )" for net losses)	**98,813**	(1,471,082)
Minority interests	**30**	7
VI. Earnings per share		
Basic earnings per share (RMB) ("( )" for net losses)	**0.057**	(0.849)
Diluted earnings per share (RMB) ("( )" for net losses)	**0.057**	(0.849)
VII. Other comprehensive income for the year	**—**	—
VIII. Total comprehensive income for the year	**98,843**	(1,471,075)
Attributable to:		
Shareholders of the Company	**98,813**	(1,471,082)
Minority interests	**30**	7

Income statement

for the year ended 31 December 2012

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

	2012	2011
I. Operating income	**18,372,275**	23,388,326
Less: Operating costs	**18,377,090**	22,502,202
Business taxes and surcharges	**2,472**	15,728
Selling and distribution expenses	**421,378**	372,410
General and administrative expenses	**620,025**	780,461
Financial expenses	**1,000,461**	749,220
Impairment loss	**379,814**	867,688
Add: Gains from changes in fair value ("( )" for losses)	**22,157**	(15,071)
Investment income ("( )" for losses)	**294,582**	14,818
Including: Income from investment in associates and jointly controlled enterprises	**7**	—
II. Operating profit ("( )" for losses)	**(2,112,225)**	(1,899,636)
Add: Non-operating income	**2,167,505**	527,456
Less: Non-operating expenses	**40,539**	7,829
Including: Losses from disposal of non-current assets	**39,595**	431
III. Profit before income tax ("( )" for losses)	**14,740**	(1,380,009)
Less: Income tax expense	**1,163**	92,724
IV. Net profit for the year ("( )" for losses)	**13,577**	(1,472,733)
V. Other comprehensive income for the year	**—**	—
VI. Total comprehensive income for the year	**13,577**	(1,472,733)

Consolidated cash flow statement

for the year ended 31 December 2012

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

	2012	2011
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	**24,389,270**	27,188,488
Refund of taxes	**4,391**	5,479
Cash received from government subsidies	**2,001,800**	—
Cash received relating to other operating activities	**13,655**	17,445
Sub-total of cash inflows	**26,409,116**	27,211,412
Cash paid for goods and services	**(20,029,311)**	(25,394,082)
Cash paid to and for employees	**(969,049)**	(1,075,123)
Cash paid for all types of taxes	**(64,331)**	(275,637)
Cash paid relating to other operating activities	**(31,812)**	(15,257)
Sub-total of cash outflows	**(21,094,503)**	(26,760,099)
Net cash outflow from operating activities	**5,314,613**	451,313

	2012	2011
II. Cash flows from investing activities:		
Cash received from disposal of investments	**—**	15,000
Net cash received from disposal of fixed assets, intangible assets and other non-current assets	**198,992**	17,444
Net cash received from disposal of subsidiaries and other business units	**286,359**	—
Cash received relating to other investing activities	**34,820**	111,209
Sub-total of cash inflows	**520,171**	143,653
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets	**(2,313,843)**	(2,540,537)
Cash paid for acquisition of subsidiaries and other operating units	**—**	(62,954)
Sub-total of cash outflows	**(2,313,843)**	(2,603,491)
Net cash outflow from investing activities	**(1,793,672)**	(2,459,838)

	2012	2011
III. Cash flows from financing activities:		
Cash received from investors	**—**	19,000
Including: Cash received from minority shareholders of subsidiaries	**—**	19,000
Cash received from borrowings	**6,878,511**	6,373,398
Cash received from finance leases	**200,000**	2,223,880
Sub-total of cash inflows	**7,078,511**	8,616,278
Cash repayments of borrowings	**(6,112,937)**	(5,575,600)
Cash paid for dividends, profit distributions or interest	**(769,828)**	(671,943)
Other cash paid relating to financing activities	**(1,623,546)**	(596,139)
Sub-total of cash outflows	**(8,506,311)**	(6,843,682)
Net cash inflow from financing activities	**(1,427,800)**	1,772,596
IV. Net increase in cash and cash equivalents ("( )" for decreases)	**2,093,141**	(235,929)
Add: Cash and cash equivalents at the beginning of the year	**1,301,423**	1,537,352
V. Cash and cash equivalents at the end of the year	**3,394,564**	1,301,423

Cash flow statement

for the year ended 31 December 2012

(Expressed in thousands of Renminbi Yuan unless otherwise indicated)

	2012	2011
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	**23,874,220**	26,947,580
Refund of taxes	**4,241**	5,479
Cash received from government subsidies	**2,001,800**	—
Cash received relating to other operating activities	**3,618**	17,440
Sub-total of cash inflows	**25,883,879**	26,970,499
Cash paid for goods and services	**(19,508,983)**	(25,275,302)
Cash paid to and for employees	**(876,000)**	(970,396)
Cash paid for all types of taxes	**(43,235)**	(262,026)
Cash paid relating to other operating activities	**(19,801)**	(15,219)
Sub-total of cash outflows	**(20,448,019)**	(26,522,943)
Net cash outflow from operating activities	**5,435,860**	447,556

	2012	2011
II. Cash flows from investing activities:		
Cash received from disposal of investments	**—**	15,000
Cash received from return on investments	**11,546**	3,272
Net cash received from disposal of fixed assets, intangible assets and other non-current assets	**196,728**	17,373
Cash received from disposal of subsidiaries and other business units	**430,000**	—
Cash received relating to other investing activities	**34,702**	11,192
Sub-total of cash inflows	**672,976**	46,837
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets	**(1,779,141)**	(2,242,293)
Cash paid for acquisition of investments	**—**	—
Net cash paid for acquisition of subsidiaries and other operating units	**(61,546)**	(113,954)
Sub-total of cash outflows	**(1,840,687)**	(2,356,247)
Net cash outflow from investing activities	**(1,167,711)**	(2,309,410)

	2012	2011
III. Cash flows from financing activities		
Cash received from borrowings	**6,171,514**	6,202,398
Cash received from finance leases	**—**	2,223,880
Sub-total of cash inflows	**6,171,514**	8,426,278
Cash repayments of borrowings	**(5,864,937)**	(5,405,600)
Cash paid for dividends, profit distribution or interest	**(767,937)**	(671,238)
Cash paid relating to other financing activities	**(1,623,546)**	(596,139)
Sub-total of cash outflows	**(8,256,420)**	(6,672,977)
Net cash inflow from financing activities	**(2,084,906)**	1,753,301
IV. Net increase in cash and cash equivalents (“( )” for decreases)	**2,183,243**	(108,553)
Add: cash and cash equivalents at the beginning of the year	**1,181,593**	1,290,146
V. Cash and cash equivalents at the end of the year	**3,364,836**	1,181,593

Consolidated statement of changes in shareholder's equity

for the year ended 31 December 2012

(Expressed in thousands of Renminbi Yuan)

		2012							2011						
		Attributable to shareholders of the Company							Attributable to shareholders of the Company						
	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
I. Balance at the end of the previous year		**1,733,127**	**1,109,163**	**1,560**	**605,633**	**625,625**	**166,007**	**4,241,115**	1,733,127	1,141,708	808	583,452	2,095,409	147,000	5,701,504
Add: adjustment for business combination under common control		—	—	—	—	—	—	—		21,913	—	22,181	1,298	—	45,392
II. Balance at the beginning 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
II. Changes in equity for the year ("( )" for losses)															
1. Net profit for the year		—	—	—	—	**98,813**	**30**	**98,843**	—	—	—	—	(1,471,082)	7	(1,471,075)
2. Other comprehensive income for the year		—	—	—	—	—	—	—	—	—	—	—	—	—	
Sub-total of 1 & 2		—	—	—	—	**98,813**	**30**	**98,843**	—	—	—	—	(1,471,082)	7	(1,471,075)
3. Appropriate of profits															
— Appropriation for surplus reserve	V. 36	—	—	—	**1,358**	**(1,358)**	—	—	—	—	—	—	—	—	—
— Distributions to shareholders		—	—	—	—	—	—	—	—	—	—	—	—	—	—
4. Disposal of subsidiaries	IV、3	—	—	—	—	—	**(147,037)**	**(147,037)**	—	—	—	—	—	—	—
5. Specific reserve															
— Accrued	V、35	—	—	**29,204**	—	—	—	**29,204**	—	—	1,378	—	—	—	1,378
— Utilized	V、35	—	—	**(29,149)**	—	—	—	**(29,149)**	—	—	(626)	—	—	—	(626)
6. Adjustment of capital reserve For business combination under common control		—	—	—	—	—	—	—	—	(62,954)	—	—	—	—	(62,954)
7. Investment in subsidiary		—	—	—	—	—	—	—	—	—	—	—	—	19,000	19,000
8. Others *(Note V. 32)*		—	—	—	—	—	—	—	—	8,496	—	—	—	—	8,496
IV. Balance at the end of the year		**1,733,127**	**1,109,163**	**1,615**	**606,991**	**723,080**	**19,000**	**4,192,976**	1,733,127	1,109,163	1,560	605,633	625,625	166,007	4,241,115

Consolidated statement of changes in shareholder's equity

for the year ended 31 December 2012

(Expressed in thousands of Renminbi Yuan)

	2012						2011				
	Share capital	**Capital reserve**	**Specific reserve**	**Surplus treasury**	**Retained earnings**	**Total**	Share capital	Capital reserve	Surplus treasury	Retained earnings	Total
I. Balance at the end of the previous year/the beginning 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
Add: Others	**—**	**—**	**—**	**—**	**1**	**1**	—	—	—	—	—
II. Balance at the beginning of the year	**1,733,127**	**1,140,611**	**—**	**575,654**	**615,485**	**4,064,877**	1,733,127	1,156,267	575,654	2,088,217	5,553,265
III. Changes in equity for the year											
1. Net profit for the year ("( )" for losses)	**—**	**—**	**—**	**—**	**13,577**	**13,577**	—	—	—	(1,472,733)	(1,472,733)
2. Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
Sub-total of 1 & 2	**—**	**—**	**—**	**—**	**13,577**	**13,577**	—	—	—	(1,472,733)	(1,472,733)
3. Appropriate of profits	**—**	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
— Appropriation for surplus reserve	**—**	**—**	**—**	**1,358**	**(1,358)**	**—**	—	—	—	—	—
— Distributions to shareholders	**—**	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
4. Adjustment of capital reserve for business combination under common control	**—**	**—**	**—**	**—**	**—**	**—**	—	(15,656)	—	—	(15,656)
5. Specific reserves	**—**	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—
— Accrued	**—**	**—**	**(27,566)**	**—**	**—**	**(27,566)**	—	—	—	—	—
— Utilized	**—**	**—**	**27,566**	**—**	**—**	**27,566**	—	—	—	—	—
IV. Balance at the end of the year	**1,733,127**	**1,140,611**	**—**	**577,012**	**627,704**	**4,078,454**	1,733,127	1,140,611	575,654	615,484	4,064,876

The annual report of the Company for the year ended 31 December 2012 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 29 March 2012.

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

Chongqing, the PRC
28 March 2013

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 (Executive Director), Mr. Chen Hong (Executive Director), Mr. Sun Yi Jie (Executive Director), Mr. Li Ren Sheng (Executive Director), Mr. Ran Maosheng (Independent Non-executive Director), Mr. Zhang Guo Lin (Independent Non-executive Director) and Mr. Liu Tian Ni (Independent Non-executive Director).