

VII. Financial Information

The Board of Directors of Maanshan Iron & Steel Company Limited (the "Company") hereby announces that the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2001 together with comparative figures for the corresponding period in 2000. The condensed consolidated financial results are all unaudited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Prepared under Hong Kong accounting standards)

	Notes	For the six months ended 30 June	
		2001 Unaudited RMB'000	2000 Unaudited RMB'000
TURNOVER	2	4,721,611	3,732,616
Cost of sales		(3,975,649)	(3,162,887)
Gross profit		745,962	569,729
Other revenue		32,957	33,743
Selling expenses		(87,101)	(135,447)
Administrative expenses		(229,953)	(225,622)
Other operating expenses		(253,506)	(62,400)
PROFIT FROM OPERATING ACTIVITIES	3	208,359	180,003
Finance costs		(81,411)	(105,882)
PROFIT BEFORE TAX		126,948	74,121
Tax	4	(22,979)	(10,647)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		103,969	63,474
EARNINGS PER SHARE	7		
Basic		1.61 cents	0.98 cents
Diluted		N/A	N/A

Other than the net profit from ordinary activities attributable to shareholders for the period, the Group had no recognised gains or losses. Accordingly, a condensed consolidated statement of recognised gains and losses is not presented in the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET
(Prepared under Hong Kong accounting standards)

		As at 30 June 2001 Unaudited RMB'000	As at 31 December 2000 Audited RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		10,909,851	11,124,817
Construction in progress		503,995	524,278
Long term investments		12,390	11,390
Other long term assets		96,800	105,600
		11,523,036	11,766,085
CURRENT ASSETS			
Short term investment		100,000	-
Inventories		2,149,179	2,019,327
Trade and bills receivables	8	1,201,199	934,590
Prepayments, deposits and other receivables		633,706	541,675
Cash and cash equivalents		1,702,424	1,619,003
		5,786,508	5,114,595
CURRENT LIABILITIES			
Trade payables	9	837,765	698,846
Tax payable		654	439
Other payables and accruals		1,335,338	1,022,677
Dividend payable		129,106	-
Interest-bearing bank borrowings		1,808,831	2,051,431
		4,111,694	3,773,393
NET CURRENT ASSETS		1,674,814	1,341,202
TOTAL ASSETS LESS CURRENT LIABILITIES		13,197,850	13,107,287
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		780,126	875,163
Other long term liabilities		478,627	267,890
		1,258,753	1,143,053
		11,939,097	11,964,234
CAPITAL AND RESERVES			
Share capital		6,455,300	6,455,300
Reserves	10	5,483,797	5,379,828

Proposed final dividend	1	-	129,106
		11,939,097	11,964,234

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(Prepared under Hong Kong accounting standards)

	For the six months ended 30 June 2001 Unaudited RMB'000
Net cash inflow from operating activities	920,215
Returns On investments and servicing of finance	(68,022)
Tax paid	(15,368)
Investing activities	(550,635)
Net cash inflow before financing activities	286,190
Financing activities	(336,880)
Decrease in cash and cash equivalents	(50,690)
Cash and cash equivalents at beginning of period	1,374,346
Effect of foreign exchange rate changes	1,733
Cash and cash equivalents at end of period	1,325,389
Analysis of balances of cash and cash equivalents	
Cash and balances with financial institutions, net of provision	1,702,424
Less: Deposits with maturities of more than three months	(377,035)
	1,325,389

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Prepared under Hong Kong accounting standards)

1. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and Appendix 16 of the Rules Governing the Listing of Securities (the

"Listing Rules") on the Stock Exchange of Hong Kong Limited except that the comparative figures of the condensed consolidated cash flow statement have not been presented as the Company has taken advantage of the transitional provisions set out in the Listing Rules.

The accounting policies used in the preparation of the interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2000 except that the Group has changed certain of its accounting policies following its adoption of SSAP 9 (revised) "Events after balance sheet date", SSAP 28 "Provisions, contingent liabilities and contingent assets" and SSAP 31 "Impairment of assets" issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001.

In accordance with the SSAP 9 (revised), the Group no longer recognizes dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy. The proposed final dividend of RMB129 million appearing in the Group's comparative balance sheet as at 31 December 2000 was reclassified as an item in shareholders' equity.

2. TURNOVER

Turnover represents the invoiced value of goods sold, net of discounts and returns, and excludes sales taxes and intra-group transactions. An analysis of the Group's turnover by operating activity and geographical segment is as follows:

	Turnover	
	For the six months	
	ended 30 June	
	2001	2000
	Unaudited	Unaudited
	<i>RMB'000</i>	<i>RMB'000</i>
By operating activity:		
Sale of goods	4,721,611	3,732,616
By geographical segment:		
PRC	4,338,873	3,315,967
Elsewhere	382,738	416,649
	4,721,611	3,732,616

The contribution to profit from operating activities by geographical segment is substantially in line with the overall rate of contribution to turnover and, accordingly, an analysis of profit from operating activities by geographical segment is not presented.

3. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2001	2000
	Unaudited <i>RMB'000</i>	Unaudited <i>RMB'000</i>
Amortization of land use right	9,272	9,085
Depreciation of fixed assets	391,748	341,562
Investment income	(7,413)	-

4. TAX

	For the six months ended 30 June	
	2001	2000
	Unaudited <i>RMB'000</i>	Unaudited <i>RMB'000</i>
Hong Kong profits tax	497	175
The People's Republic of China ("PRC") income tax	22,482	10,472
	22,979	10,647

The PRC income tax for the Company and its subsidiaries is calculated at 15% to 33% (2000: 15%-33%) on their estimated assessable profits for the six months ended 30 June 2001 based on existing legislation, interpretations and practices in respect thereof.

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits which were earned in or derived from Hong Kong during the six months ended 30 June 2001.

No provision for overseas profits tax has been made for the Group as there were no assessable overseas profits for the period.

Deferred tax asset arising from timing difference in recognition of housing subsidies obligations has not been recognised in the financial statements because the amount is immaterial.

There were no material unprovided deferred tax liabilities during the period or at 30 June 2001.

5. STATUTORY SURPLUS RESERVE AND STATUTORY PUBLIC WELFARE FUND

No appropriation was made to the statutory surplus reserve and statutory public welfare fund by the Company for the period ended 30 June 2001. Such appropriation will be made at

the year end in accordance with the PRC Company Law and the Company's Articles of Association.

6. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2001 (2000: Nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of RMB103,969,000 (2000: RMB63,474,000) and 6,455,300,000 shares (2000: 6,455,300,000 shares) in issue during the period.

No diluted earnings per share is presented as the Company does not have any dilutive potential ordinary shares.

8. TRADE AND BILLS RECEIVABLES

The Group's credit terms to trade and bills receivables are 30 to 90 days. The aged analysis of trade and bills receivables, net of provisions, as at the balance sheet date was as follows:

	As at 30 June 2001 Unaudited RMB'000	As at 31 December 2000 Audited RMB'000
Within one year	1,145,616	841,969
One to two years	40,210	55,414
Two to three years	15,353	34,679
Over three years	20	2,528
	1,201,199	934,590

Included in the Group's trade and bills receivables are amounts due from Holding, and subsidiaries and associates of Holding aggregating approximately RMB13,934,000 (2000: approximately RMB12,763,000) which principally arose from normal trading activities.

9. TRADE PAYABLES

The aged analysis of the trade payables as at the balance sheet date was as follows:

	As at 30 June 2001 Unaudited RMB'000	As at 31 December 2000 Audited RMB'000
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Within one year	807,708	676,993
One to two years	14,702	12,343
Two to three years	7,531	881
Over three years	7,824	8,629
	837,765	698,846

Included in the Group's trade payables are amounts due to Holding, and subsidiaries and associates of Holding aggregating approximately RMB9,064,000 (2000: approximately RMB5,684,000) which principally arose from normal trading activities.

10. RESERVES

	Share premium Unaudited <i>RMB'000</i>	Statutory surplus reserve Unaudited <i>RMB'000</i>	Statutory public welfare fund Unaudited <i>RMB'000</i>	Retained profits Unaudited <i>RMB'000</i>	Total Unaudited <i>RMB'000</i>
At 1 January 2001	4,864,976	189,934	189,884	135,034	5,379,828
Net profit attributable to shareholders	-	-	-	103,969	103,969
At 30 June 2001	4,864,976	189,934	189,884	239,003	5,483,797

11. CONTINGENT LIABILITIES

As at 30 June 2001, the Group did not have any significant contingent liabilities.

12. COMMITMENTS

Capital commitments related to construction in progress as at 30 June 2001 and 31 December 2000 were as follows:

	As at 30 June 2001 Unaudited <i>RMB'000</i>	As at 31 December 2000 Audited <i>RMB'000</i>
Contracted, but not provided for	54,554	77,688
Authorised, but not contracted for	6,366,391	1,277,183
	6,420,945	1,354,871

13. RELATED PARTY TRANSACTIONS

The following is a summary of the significant transactions carried out in the normal course of business between the Group, the Holding, and the subsidiaries and associates of Holding during the period:

	For the six months ended 30 June	
	2001 Unaudited RMB'000	2000 Unaudited RMB'000
Purchases of iron ore and limestone	357,177	335,983
Fees received for the supply of utilities, services and other consumable goods	(20,971)	(21,406)
Fees paid for welfare, support services and other services	95,464	84,177
Purchases of fixed assets and construction services	50,810	3,645
Sales of steel products	(2,668)	(2,813)

The terms for the purchase of iron ore and limestone from Holding were in accordance with an agreement dated 14 October 1993 and a supplementary agreement dated 18 April 2001 between the Company and Holding.

The terms for the cross-provision of welfare, support services and other services between the Company and Holding were based on a service agreement dated 14 October 1993 and a supplementary agreement dated 18 April 2001 between the Company and Holding.

The other related party transactions were conducted on terms determined between the Group and Holding.

14. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to confirm with the current period's presentation.

15. DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER PRC AND HONG KONG ACCOUNTING STANDARDS

Other than the differences in classification of certain financial statement items and the accounting treatment of foreign currency items, staff housing subsidies and loss on disposal of staff quarters described below, there are no material differences between the Group's financial statements prepared in accordance with PRC and Hong Kong accounting standards.

(A) Translation of Hong Kong dollar proceeds on H share issue

Under PRC accounting standards, the Hong Kong dollar share proceeds received from the issue of H shares during 1993 were required to be recorded in Renminbi at the official rate

ruling at the transaction date. Accordingly, in preparing the 31 December 1993 PRC statutory financial statements, the Hong Kong dollar share proceeds were translated at the official rate prevailing at that date.

Under Hong Kong accounting standards, the rates of exchange used to record foreign currency transactions and for the translation of foreign currency assets at 31 December 1993 are those rates quoted by the Foreign Exchange Adjustment Centre in Shenzhen.

Following the unification of the Renminbi exchange rates on 1 January 1994, under PRC accounting standards, the Group realised all exchange gain of approximately RMB1,374 million which was recorded as a deferred credit on the balance sheet. Pursuant to a directive issued by the Ministry of Finance on 2 March 1994, the directors determined that the Group should retain the deferred credit to offset future losses or retain the amount until liquidation. The summary effect of the differences in the treatment of foreign currency transactions under PRC and Hong Kong accounting standards on the financial statements are compared as follows:

Group	Hong Kong accounting standards 30 June 2001 Unaudited RMB'000	PRC accounting standards 30 June 2001 Unaudited RMB'000
Balance sheet:		
Share premium	4,864,976	3,491,345
Deferred credit	-	1,373,631

(B) Staff housing subsidies and loss on disposals of staff quarters

(i) Staff housing subsidies

Pursuant to a recently implemented staff housing subsidies scheme, the Company is required to pay one-off lump sum cash subsidies to both current and retired employees who are eligible under the scheme, provided that each eligible employee entitled to the subsidies continues to provide service to the Company for a stipulated period or to the date on which they reach their respective normal retirement ages, whichever is the earlier. The directors estimate that the aggregate subsidies payable to all eligible current and retired employees to be RMB349 million and RMB38.8 million respectively. The subsidies payable to both current employees and retired employees will be on a batch basis upon application from eligible employees during the coming years.

Under Hong Kong accounting standards, the subsidies payable to eligible current employees have been provided for on a straight-line basis over 10 years, which approximates the estimated remaining average vesting period of the relevant employees, commencing from 1 January 2000. Accordingly, subsidies for current employees of approximately RMB17.4 million have been accrued and charged to the profit and loss account during the period. The aggregate subsidies payable to all eligible retired employees during the coming years

amounted to approximately RMB38.8 million has already been fully charged to the profit and loss account during the year ended 31 December 2000 since such subsidies cover past services of eligible retired employees.

Under PRC accounting standards, the subsidies paid to eligible current and retired employees aggregating approximately RMB17.5 million during the period have been charged to the retained earnings account. No accrual for the subsidies payable to current employees or retired employees has been made in the financial statements.

(ii) Loss on disposal of staff quarters

From 1994 to 1997, the Company paid approximately RMB190 million for the purchase of certain new staff quarters for its employees. Those staff quarters were fully delivered for use during 1997. From January 1997, the Company commenced the sale of staff quarters to its employees in accordance with the Maanshan Municipal Regulation (the "Regulation") governing the sale of public housing. The Regulation sets out the rules and conditions governing the sale and purchase of staff quarters in Maanshan, including the quantum of price discount given to the Company's employees. Most of the staff quarters have been sold at preferential prices and a loss of approximately RMB163.78 million was incurred. As at 31 December 2000 or before, under the Hong Kong and PRC accounting standards, the relevant loss was recorded as deferred staff cost and amortised over the estimated remaining average service life of the relevant employees of 10 years, commencing from the dates of sale of staff quarters. As at 31 December 2000, the relevant accumulated amortisation was approximately RMB58.18 million and the deferred staff cost net of amortisation was approximately RMB105.6 million.

Under the Hong Kong accounting standards, the current period treatment still follow the aforesaid accounting policies and the required amortisation of RMB8.8 million was charged to the profit and loss account for the 6 months ended 30 June 2001.

Under PRC accounting standards, starting from 1 January 2001, the Company implemented the rules of directive No. 2001(5) recently issued by Ministry of Finance in January 2001 to charge the unamortised deferred staff cost as at 31 December 2000 amounting to approximately RMB105.6 million to the retained earnings account.

(iii) The differences in accounting treatment between staff housing subsidies and loss on disposals of staff quarters are summarised as follows:

	Hong Kong accounting standards	PRC accounting standards
	For the six months ended 30 June	
Profit and loss account (Group)	2001 Unaudited RMB'000	2001 Unaudited RMB'000

Amortisation of staff housing subsidies for eligible current employees	17,444	-
Amortisation of loss on disposal of staff quarters	8,800	-
	26,244	-
	As at 30 June 2001 Unaudited RMB'000	As at 30 June 2001 Unaudited RMB'000
Balance sheet (Group)		
Other long term assets:		
Deferred staff cost	96,800	-
Subsidies payable, net of amount already paid:		
Eligible current employees	(18,494)	-
Eligible retired employees	(34,300)	-
Retained earnings	(239,003)	(194,997)

BALANCE SHEET

(Prepared under PRC accounting standards)

ASSETS	Notes	As at 30 June 2001		As at 31 December 2000	
		Group Unaudited RMB	Company Unaudited RMB	Group Audited RMB	Company Audited RMB
Current assets:					
Cash and balances with financial institutions		1,702,423,715	1,568,500,987	1,619,002,577	1,520,821,621
Short term investment	3	100,000,000	100,000,000	-	-
Bills receivable	4	817,335,638	816,310,888	467,651,346	434,751,346
Trade receivables	5	383,864,042	367,714,191	466,939,198	425,311,744
Other receivables	6	502,521,059	323,436,226	376,374,667	293,584,993
Prepayments		86,641,469	86,641,469	113,362,142	113,362,142
Inventories	7	2,149,179,143	2,144,217,673	2,019,327,342	1,954,581,962
Long term investments, current portion		4,308,000	4,308,000	4,308,000	4,308,000
Total current assets		5,746,273,066	5,411,129,434	5,066,965,272	4,746,721,808
Long term investments:					
Long term equity investments	8	12,389,628	325,668,230	11,389,628	273,795,005
Long term debt investments	8	24,218,870	24,218,870	24,218,870	24,218,870
Total long term investments		36,608,498	349,887,100	35,608,498	298,013,875

Fixed assets:					
Cost		14,591,943,051	14,584,447,916	14,443,622,756	14,436,127,621
Less: Accumulated depreciation		(4,465,507,964)	(4,461,426,146)	(4,078,670,276)	(4,074,825,364)
Net book value		10,126,435,087	10,123,021,770	10,364,952,480	10,361,302,257
Less: Impairments		(103,500,397)	(103,500,397)	(20,544,897)	(20,544,897)
Net book value, net of impairments		10,022,934,690	10,019,521,373	10,344,407,583	10,340,757,360
Construction in progress	9	503,995,124	503,995,124	524,278,291	524,278,291
Total fixed assets		10,526,929,814	10,523,516,497	10,868,685,874	10,865,035,651
Intangible and other assets:					
Intangible assets		886,915,986	886,915,986	780,409,605	780,409,605
Long term deferred expenditure	10	-	-	105,600,289	105,600,289
Total intangible and other assets		886,915,986	886,915,986	886,009,894	886,009,894
Total assets		17,196,727,364	17,171,449,017	16,857,269,538	16,795,781,228

LIABILITIES AND SHAREHOLDERS' FUNDS

		As at 30 June 2001		As at 31 December 2000	
		Group	Company	Group	Company
		Unaudited	Unaudited	Audited	Audited
	Notes	RMB	RMB	RMB	RMB
Current liabilities:					
Short term loans		1,148,773,550	1,148,773,550	1,398,110,315	1,377,110,315
Trade creditors		837,764,812	835,308,533	698,846,377	694,494,698
Deposits received	11	331,390,926	328,062,797	213,701,727	194,036,260
Wages payable	12	107,790,804	107,754,544	40,071,857	39,999,233
Staff welfare payable	13	15,555,336	15,478,399	10,510,911	10,424,234
Dividend payable		129,106,000	129,106,000	129,106,000	129,106,000
Taxes payable		267,898,130	268,107,515	258,998,116	259,243,984
Other tax payable		13,902,540	13,901,074	10,534,207	10,533,663
Other creditors		205,726,533	199,783,628	235,883,270	231,346,348
Accrued charges	14	324,918,387	342,218,387	177,148,569	194,448,569
Long term loans, current portion		660,056,985	659,189,682	653,320,416	652,366,451
Total current liabilities		4,042,884,003	4,047,684,109	3,826,231,765	3,793,109,755
Long term liabilities:					
Long term loans		780,126,213	764,948,420	875,162,867	857,991,497
Specific payable	15	262,920,000	262,920,000	58,920,000	58,920,000
Other long term liabilities		215,706,888	215,706,888	208,970,050	208,970,050

Total long term liabilities	1,258,753,101	1,243,575,308	1,143,052,917	1,125,881,547
Total liabilities	5,301,637,104	5,291,259,417	4,969,284,682	4,918,991,302
Deferred credit	1,373,630,913	1,373,630,913	1,373,630,913	1,373,630,913
Shareholders' funds:				
Share capital	6,455,300,000	6,455,300,000	6,455,300,000	6,455,300,000
Capital reserve	3,491,344,482	3,491,344,482	3,491,344,482	3,491,344,482
Surplus reserve	379,818,405	379,666,632	379,818,405	379,666,632
including: statutory public welfare fund	189,883,907	189,833,316	189,883,907	189,833,316
Retained profits	194,996,460	180,247,573	187,891,056	176,847,899
Total shareholders' funds	10,521,459,347	10,506,558,687	10,514,353,943	10,503,159,013
Total liabilities and shareholders' funds	17,196,727,364	17,171,449,017	16,857,269,538	16,795,781,228

PROFIT AND LOSS ACCOUNTS

(Prepared under PRC accounting standards)

	Notes	For the six months ended 30 June		For the year ended 31 December			
		2001	2000	2000	2000		
		Group Unaudited RMB	Company Unaudited RMB	Group Unaudited RMB	Company Unaudited RMB	Group Audited RMB	Company Audited RMB
Principal operating income		4,721,611,167	4,402,686,029	3,732,615,859	3,219,425,463	8,185,686,809	7,079,062,219
Less: Cost of sales		(3,958,205,275)	(3,657,729,712)	(3,147,887,037)	(2,659,983,351)	(6,929,955,883)	(5,885,036,266)
Sales taxes and surcharges		(44,613,208)	(44,285,249)	(32,010,802)	(30,068,893)	(63,977,493)	(60,212,520)
Profit from principal operating activities		718,792,684	700,671,068	552,718,020	529,373,219	1,191,753,433	1,133,813,433
Add: Other operating profit/(loss)	16	4,223,779	4,201,937	19,579,466	17,856,266	(2,298,192)	(2,496,316)
Less: Selling expenses	21	(42,487,935)	(29,404,258)	(103,436,237)	(84,331,985)	(102,796,663)	(56,416,113)
Administrative expenses		(302,442,996)	(298,256,801)	(288,101,256)	(284,178,600)	(363,127,606)	(353,596,952)
Financial expenses	17	(70,474,827)	(72,028,437)	(94,520,263)	(94,228,444)	(177,771,693)	(178,932,131)
Operating profit		307,610,705	305,183,509	86,239,730	84,490,456	545,759,279	542,371,921
Add: Investment income	18	7,412,505	7,412,505	-	-	2,675,648	2,675,648
Subsidies income		1,932,937	-	232,475	-	232,475	-
Non-operating income	19	8,451,080	8,451,080	2,569,144	1,408,100	3,530,438	3,346,923
Less: Non-operating expenses	20	(172,215,598)	(172,215,148)	(14,921,187)	(14,921,088)	(355,110,111)	(354,865,219)
Profit before tax		153,191,629	148,831,946	74,120,162	70,977,468	197,087,729	193,529,273
Less: Tax		(22,978,745)	(22,324,792)	(10,646,593)	(10,646,593)	(21,056,682)	(20,522,914)
Profit after tax		130,212,884	126,507,154	63,473,569	60,330,875	176,031,047	173,006,359
Add: Retained profits at							

beginning of period	187,891,056	176,847,899	196,591,475	188,421,233	196,591,475	188,421,233
Less: Staff housing subsidies charged to retained profits	(17,507,191)	(17,507,191)	-	-	(20,872,421)	(20,872,421)
Loss on disposal of staff quarters charged to retained profits	(105,600,289)	(105,600,289)	-	-	-	-
Profit available for distribution	194,996,460	180,247,573	260,065,044	248,752,108	351,750,101	340,555,171
Less: Transfer to statutory surplus reserve	-	-	-	-	(17,401,818)	(17,300,636)
Transfer to statutory public welfare fund	-	-	-	-	(17,351,227)	(17,300,636)
Profit available for distribution to shareholders	194,996,460	180,247,573	260,065,044	248,752,108	316,997,056	305,953,899
Less: Dividend payable	-	-	-	-	(129,106,000)	(129,106,000)
Retained profits at period end	194,996,460	180,247,573	260,065,044	248,752,108	187,891,056	176,847,899

CASH FLOW STATEMENT

(Prepared under PRC accounting standards)

	For the six months ended 30 June 2001		For the six months ended 30 June 2000	
	Group Unaudited RMB	Company Unaudited RMB	Group Unaudited RMB	Company Unaudited RMB
1. Cash Flows from Operating Activities:				
Cash received from sales of goods or rendering of services	5,492,441,830	5,081,934,069	4,359,985,971	3,744,568,294
Cash received from tax refund	20,642,459	20,642,459	673,705	673,705
Government subsidies for specific construction projects	204,000,000	204,000,000	-	-
Other cash received relating to operating activities	10,384,017	8,451,080	22,120,794	18,992,693
Sub-total of cash inflows	5,727,468,306	5,315,027,608	4,382,780,470	3,764,234,692
Cash paid for goods and services	(3,610,453,832)	(3,368,103,685)	(2,980,457,904)	(2,433,578,485)
Cash paid to and on behalf of employees	(534,010,662)	(533,964,558)	(473,555,071)	(473,557,281)
Other tax paid	(522,096,130)	(521,479,582)	(353,476,965)	(353,451,121)
Other cash paid relating to operating activities	(155,304,132)	(42,950,203)	(169,731,343)	(121,152,947)
Sub-total of cash outflows	(4,821,864,756)	(4,466,498,028)	(3,977,221,283)	(3,381,739,834)
Net cash flows from operating activities	905,603,550	848,529,580	405,559,187	382,494,858
2. Cash Flows from Investing Activities:				
Cash received from returns on investments	7,412,505	7,412,505	-	-
Net cash received from disposal of fixed				

assets, intangible assets and other long term assets	378,857	378,857	404,270	404,270
Cash received from returns on other investments	12,000,480	11,625,030	7,722,286	7,350,557
Sub-total of cash inflows	19,791,842	19,416,392	8,126,556	7,754,827
Cash paid to acquire fixed assets, intangible assets and other long term assets	(317,634,656)	(317,634,656)	(212,142,142)	(212,142,142)
Cash paid to acquire equity investments	(101,000,000)	(101,000,000)	-	-
Increase in fixed deposits with maturities of over 3 months	(132,378,072)	(135,730,807)	(224,647,127)	(221,352,095)
Sub-total of cash outflows	(551,012,728)	(554,365,463)	(436,789,269)	(433,494,237)
Net cash flows from investing activities	(531,220,886)	(534,949,071)	(428,662,713)	(425,739,410)

**For the six months
ended 30 June 2001**

**For the six months
ended 30 June 2000**

**Group
Unaudited
RMB**

**Company
Unaudited
RMB**

**Group
Unaudited
RMB**

**Company
Unaudited
RMB**

3. Cash Flows from Financing Activities:

Proceeds from borrowings	506,303,550	506,303,550	648,322,528	648,322,528
Sub-total of cash inflows	506,303,550	506,303,550	648,322,528	648,322,528
Cash repayments of amounts borrowed	(843,184,010)	(820,796,394)	(740,378,319)	(739,886,341)
Cash payments for distribution of dividends or profits and interest expense	(87,435,338)	(87,238,646)	(110,173,347)	(108,856,004)
Sub-total of cash outflows	(930,619,348)	(908,035,040)	(850,551,666)	(848,742,345)
Net cash flows from financing activities	(424,315,798)	(401,731,490)	(202,229,138)	(200,419,817)

4. Effect of Foreign Exchange Rate Changes on Cash

	976,200	99,540	(1,076,917)	(1,361,116)
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5. Net Decrease in Cash and Cash Equivalents

	(48,956,934)	(88,051,441)	(226,409,581)	(245,025,485)
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**For the six months
ended 30 June 2001**

**For the six months
ended 30 June 2000**

	Group Unaudited RMB	Company Unaudited RMB	Group Unaudited RMB	Company Unaudited RMB
Supplementary Information:				
1. Reconciliation of Net Profit to Net Cash Flows from Operating Activities:				
Net profit	130,212,884	126,507,154	63,473,569	60,330,875
Add: Staff housing subsidies charged to retained profits	(17,507,191)	(17,507,191)	-	-
Provision for doubtful debts	95,550,000	95,550,000	45,000,000	45,000,000
Provision for inventories	-	-	15,000,000	15,000,000
Provision for impairments of fixed assets	82,955,500	82,955,500	-	-
Provision for impairments of construction in progress	75,000,000	75,000,000	-	-
Depreciation of fixed assets	391,985,229	391,748,323	341,562,492	341,331,893
Amortisation of intangible assets	9,272,352	9,272,352	9,084,934	9,084,934
Amortisation of long term deferred expenditure	-	-	12,366,768	12,329,726
Increase in accrued charges	145,954,325	145,954,325	197,552,624	197,637,803
Loss/(gain) on disposal of fixed assets, intangible assets and other long term assets	1,132,522	1,132,522	(260,291)	(271,673)
Financial expenses	70,143,882	71,891,923	93,679,692	94,123,605
Investment income	(7,412,505)	(7,412,505)	-	-
Decrease/(increase) in inventories	(129,851,801)	(189,635,711)	(37,558,139)	20,726,256
Increase in receivables from operating activities	(464,051,101)	(475,982,020)	(199,428,526)	(231,017,266)
Increase in payables from operating activities	522,219,454	539,054,908	(134,913,936)	(181,781,295)
Net cash flows from operating activities	905,603,550	848,529,580	405,559,187	382,494,858
2. Investing and Financing Activities that do not Involve Cash Receipts and Payments:				
	-	-	-	-
	Group Unaudited RMB	Company Unaudited RMB	Group Unaudited RMB	Company Unaudited RMB
	For the six months ended 30 June 2001		For the six months ended 30 June 2000	
3. Net Decrease in Cash and Cash Equivalents:				
Cash balances at the end of the period	938,312,680	854,631,342	671,038,147	601,116,529
Less: Cash balances at the beginning of the period	(1,346,903,967)	(1,302,320,783)	(912,508,530)	(846,142,014)
Add: Cash equivalents at the beginning of the period	387,076,255	359,638,000	18,382,666	-
Less: Cash equivalents at the end of the period	(27,441,902)	-	(3,321,864)	-
Net decrease in cash and cash equivalents	(48,956,934)	(88,051,441)	(226,409,581)	(245,025,485)

NOTES TO FINANCIAL STATEMENTS
(Prepared under PRC accounting standards)

1. SIGNIFICANT ACCOUNTING POLICIES

During the period, except the aforesaid deferred staff cost as disclosed in note(10) has been charged to retained earnings, the significant accounting policies adopted by the Company and the Group in the preparation of the financial statements under PRC accounting standards remained unchanged when compared with last year.

The Company and the Group have complied with the requirements of the "Accounting Standards for Enterprises" and the newly issued "Accounting System for Enterprises" in the preparation of the 2001 interim financial statements. Such accounting standards and the changes in accounting system have no material effect on the financial position and operating results of the Company and the Group for the year ended 31 December 2000. The Company also followed the "disclosure standards number 3-listed company contents and format of interim reports (2000 revised) and the supplemental requirements issued in 2001 for the disclosures made.

The Company's consolidation methods adopted in the preparation of financial statements remained unchanged when compared with last year.

2. SUBSIDIARIES

Name of subsidiaries	Place of registration	Principal activities	Registered and paid up capital	Nature of the enterprise	Legal representative	Amount of Investment Unaudited RMB	Percentage of equity held by the Company	
							directly	indirectly
Ma Steel International Trade and Economic Corporation	Auhui, China	Import of machinery and raw materials and export of steel products	RMB 50 million	Joint stock company*	Zhang Chongzong	50,000,000	100%	-
Metallurgical Building Material Retails Division of Magang Company	Anhui, China	Retail sales of steel products	RMB 2 million	Joint stock company	Wang yen Ling	2,000,000	100%	-
MG Trading and Development GmbH	Germany	Trading of equipment, steel products and provision of technology services	DM300,000	Limited company	Not applicable	1,573,766	100%	-
Ningbo Chang Yi Company Limited**	Zhejiang, China	Trading of steel and pig iron products	RMB1 million	Limited company*	Hu Zhang Shen	200,000	20%	80%
Shanghai Zhong Ma Company Limited**	Shanghai China	Trading of steel and pig iron products	RMB1 million	Limited company*	Li Jian She	900,000	90%	10%

Magang Iron & Steel (HK) Limited	Hong Kong	Trading of steel and pig iron products	HK\$4.8 million	Limited company	Not applicable	4,101,688	80%	20%
						58,775,454		

* As per latest business license

** The authorised operating periods of Ningbo Chang Yi Company Limited and Shanghai Zhong Ma Company Limited are 10 years and 30 years respectively

Note: Metallurgical Building Material Retail Division of Magang Company is under liquidation.

The name of the PRC subsidiaries in English are direct translations of their registered names in Chinese.

3. SHORT TERM INVESTMENT

	As at 30 June 2001 Unaudited RMB	As at 31 December 2000 Audited RMB
委託投資	100,000,000	-

The increase in the Group's and the Company's short term investment is mainly attributable to the employment of 上海安申投資管理有限公司 for the investment in stocks, bonds and debentures on behalf of the Group.

4. BILLS RECEIVABLE

	As at 30 June 2001 Unaudited RMB	As at 31 December 2000 Audited RMB
Bills receivable	817,335,638	467,651,346

The increase in the Group's bills receivable by 75% is attributable to the increase in sales and the receipt of bills.

As at 30 June 2001, the 5 largest bills receivable were follows:

Name of issuer	Date of issue	Date of expiry	Balance due Unaudited RMB
馬鞍山市大汗物資有限公司	23 Mar., 2001	23 Sep., 2001	10,000,000
馬鞍山市大汗物資有限公司	29 Mar., 2001	25 Sep., 2001	10,000,000

浙江省金屬公司	11 Apr., 2001	25 Sep., 2001	10,000,000
馬鞍山市大汗物資有限公司	25 Apr., 2001	18 Oct., 2001	10,000,000
浙江省金屬公司	27 Apr., 2001	23 Oct., 2001	10,000,000

The above mentioned bills receivable were guaranteed by banks.

As at 30 June 2001, the Group does not have any discounted bills.

As at 30 June 2001, the Group does not have any secured bills receivable.

The balance of bills receivable does not contain any amount due from a shareholder who hold over 5% (including 5%) equity interest in the Company.

5. TRADE RECEIVABLES

Trade receivables ageing analysis:

	Group					
	As at 30 June 2001			As at 31 December 2000		
	Balance Unaudited RMB	Ratio %	Provisions for doubtful debts	Balance Audited RMB	Ratio %	Provisions for doubtful debts
			Unaudited RMB			Audited RMB
Within one year	367,426,425	44	(39,145,396)	377,640,618	46	(3,323,137)
One to two years	63,595,316	8	(23,385,293)	77,331,995	9	(21,917,968)
Two to three years	66,346,345	8	(50,993,355)	99,030,860	12	(64,351,430)
Over three years	334,553,504	40	(334,533,504)	274,443,273	33	(271,915,013)
Total	831,921,590	100	(448,057,548)	828,446,746	100	(361,507,548)

	Company					
	As at 30 June 2001			As at 31 December 2000		
	Balance Unaudited RMB	Ratio %	Provisions for doubtful debts	Balance Audited RMB	Ratio %	Provisions for doubtful debts
			Unaudited RMB			Audited RMB
Within one year	357,794,668	45	(39,145,396)	340,846,647	44	(3,056,510)
One to two years	62,390,337	8	(23,084,048)	74,730,633	10	(21,267,627)
Two to three years	59,217,123	7	(49,478,493)	94,482,988	12	(62,077,494)
Over three years	319,069,611	40	(319,049,611)	259,459,024	34	(257,805,917)
Total	798,471,739	100	(430,757,548)	769,519,292	100	(344,207,548)

As at 30 June 2001, the 5 largest trade receivables were as follows:

Name	Balance due Unaudited RMB	Period outstanding	Reasons
馬材廠	148,255,343	Jan., 2001 - Jun., 2001	Trade balance
中國鐵路物資上海公司	97,963,327	Jan., 2001 - Jun., 2001	Trade balance
江東第二軋鋼廠	40,971,144	Dec., 1994 - Jun., 2001	Trade balance
安徽省馬鞍山市江東生產資料服務部	25,556,858	Jan., 1998 - Jun., 2001	Trade balance
徐州回轉支承廠	11,328,879	Jan., 2001 - Jun., 2001	Trade balance

Except for those as stated in Note 22 point 6, the balance of trade receivables does not contain any amount due from a shareholder who holds over 5% (including 5%) equity interest of the Company.

Included in the Company's trade receivables is an amount due from subsidiaries of RMB46.96 million (2000: RMB25.19 million).

6. OTHER RECEIVABLES

Other receivables ageing analysis:

	As at 30 June 2001			As at 31 December 2000		
	Balance Unaudited RMB	Ratio %	Provisions for doubtful debts Unaudited RMB	Balance Audited RMB	Ratio %	Provisions for doubtful debts Audited RMB
Within one year	501,191,305	89	-	364,061,340	85	-
One to two years	3,918,460	1	(3,131,957)	5,063,472	1	(2,431,661)
Two to three years	2,403,749	-	(1,860,498)	5,157,498	1	(3,188,622)
Over three years	55,230,293	10	(55,230,293)	53,315,105	13	(45,602,465)
Total	562,743,807	100	(60,222,748)	427,597,415	100	(51,222,748)

As at 30 June 2001, the 5 largest other receivables were as follows:

Name	Balance due Unaudited RMB	Period outstanding	Reasons
集團公司	278,321,911	Jan., 2001 - Jun., 2001	Trade balance
馬鞍山市市政建設公司	3,106,963	Dec., 1999	Sales of gas
中保壽險公司	3,000,000	Sep., 1993	Prepayment for insurance
馬鋼三聯鐵廠	2,600,447	Oct., 1996	Prepayment for subcontracting services

長沙金屬製品廠

2,400,000

Sep., 1996

Prepayment for raw materials

Except for those as stated in Note 22 point 6, the balance of other receivables does not contain any amount due from a shareholder who holds over 5% (including 5%) equity interest of the Company.

7. INVENTORIES

	As at 30 June 2001		As at 31 December 2000	
	Balance	Provisions	Balance	Provisions
	Unaudited	Unaudited	Audited	Audited
	RMB	RMB	RMB	RMB
Raw materials	831,403,988	-	706,334,733	-
Work in progress	406,341,694	(3,000,000)	428,979,866	(3,000,000)
Finished goods	263,501,147	(4,150,000)	189,921,867	(4,150,000)
Spare parts	721,995,355	(66,913,041)	768,153,917	(66,913,041)
Total	2,223,242,184	(74,063,041)	2,093,390,383	(74,063,041)

8. LONG TERM INVESTMENTS

Items		Group			As at 30 June 2001 Unaudited RMB
		As at 1 January 2001 Audited RMB	Addition during the period Unaudited RMB	Decrease during the period Unaudited RMB	
		Long term equity investments:			
Equity investments	(ii)	11,389,628	1,000,000	-	12,389,628
Long term debt investments:					
Other debt investments	(iii)	24,218,870	-	-	24,218,870
Total		35,608,498	1,000,000	-	36,608,498

Items		Company			As at 30 June 2001 Unaudited RMB
		As at 1 January 2001 Audited RMB	Addition during the period Unaudited RMB	Decrease during the period Unaudited RMB	
		Long term equity investments:			
Interests in subsidiaries	(i)	262,405,377	50,873,225	-	313,278,602
Equity investments	(ii)	11,389,628	1,000,000	-	12,389,628

		273,795,005	51,873,225	-	325,668,230
Long term debt investments:					
Other debt investments	(iii)	24,218,870	-	-	24,218,870
Total		298,013,875	51,873,225	-	349,887,100

(i) Interests in subsidiaries

	Company	
	As at 30 June 2001 Unaudited RMB	As at 31 December 2000 Audited RMB
Unlisted investments, at cost	58,775,454	58,775,454
Amounts due from subsidiaries	254,503,148	203,629,923
Total	313,278,602	262,405,377

(ii) Equity investments

Equity investments accounted for using the cost method:

Name of enterprise	Nature of investments	Number of shares held Unaudited	Percentage of equity held by the Company	Investments cost Unaudited RMB
上海氯化工股份有限公司	Legal person shares	164,578	0.014%	807,926
唐山鋼鐵股份有限公司	Legal person shares	1,003,200	0.074%	4,559,109
寶山鋼鐵股份有限公司	Legal person shares	1,428,850	0.011%	5,972,593
Others				1,050,000
Total				12,389,628

(iii) Other debt investments

Debtor	Principal amount Unaudited	Annual interest rate	Maturity date	Balance per book Unaudited	Provisions Unaudited
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	<i>RMB</i>	%		<i>RMB</i>	<i>RMB</i>
安徽省電子 開發總公司	24,218,870	Nil	2001-2009	24,218,870	-

9. CONSTRUCTION IN PROGRESS

Construction in progress represents the following major projects which remained uncompleted as at 30 June 2001:

Name of projects	Expected year of completion	At 1 January 2001 Audited <i>RMB</i>	Including: Capitalised interest amount Audited <i>RMB</i>	Additions during the period Unaudited <i>RMB</i>	Including: Capitalised interest amount Unaudited <i>RMB</i>	Transferred to fixed assets and intangible assets during the period Unaudited <i>RMB</i>	Including: Capitalised interest amount Unaudited <i>RMB</i>	Further impairment provisions during the period Unaudited <i>RMB</i>	At 30 June 2001 Unaudited <i>RMB</i>	Including: Capitalised interest amount Unaudited <i>RMB</i>	Source of fund
High temperature bricks factory improvements project	2001	72,834,094	-	-	-	-	-	(45,000,000)	27,834,094	-	Internal generating fund
Coke furnace	2001	62,571,974	-	-	-	-	-	-	62,571,974	-	Internally generated fund
Cai Nan Station & Beiluan transportation line	2001	33,874,667	-	-	-	-	-	(30,000,000)	3,874,667	-	Internally generated fund
No. 1 Steel-making plant electric arc furnace project	2002	192,436,520	2,428,800	178,567,246	7,215,675	(231,777,931)	(9,644,475)	-	139,225,835	-	Internally generated fund and loans from financial institution
220t/h Boiler Project	2001	5,091,250	-	36,375,922	-	-	-	-	41,467,172	-	Internally generated fund
Reconstruction project of 2x8m2 pelletizing shaft furnace	2001	-	-	17,681,901	-	-	-	-	17,681,901	-	Internal generating fund
Billet continuous casting machines	2001	1,900,000	-	62,848,614	-	-	-	-	64,748,614	-	Internally generated funds
Others projects	various	155,569,786	4,612,206	27,433,374	624,450	(36,412,293)	60,004	-	146,590,867	5,296,660	
Total		524,278,291	7,041,006	322,907,057	7,840,125	(268,190,224)	(9,584,471)	(75,000,000)	503,995,124	5,296,660	

10. LONG TERM DEFERRED EXPENDITURE

	As at 1 January 2001 Audited <i>RMB</i>	Addition during the period Unaudited <i>RMB</i>	Amortisation during the period Unaudited <i>RMB</i>	Charged to retained profits Unaudited <i>RMB</i>	As at 30 June 2001 Unaudited <i>RMB</i>
Deferred staff cost	105,600,289	-	-	(105,600,289)	-

The decrease in the Group's and the Company's long term deferred expenditure is mainly attributable to the charging of such expenses retained earnings.

At January 2001, the deferred staff cost of RMB106 million related to the loss of approximately RMB163.8 million in 1997 was resulted from the disposal of staff quarters to the Company's employees at preferential prices, net of amortisation. The disposals were made in accordance with the regulations issued by the Maanshan Municipal Government which set out the rules and conditions governing the sale and purchase of staff quarters in Maanshan, including the quantum of price discount to be given to the Company's employees. In accordance with rules of directive No. 2001 (5) issued by Ministry of Finance, unamortised deferred staff cost at 1 January 2001 had been charged to retained earnings during the period.

11. DEPOSITS RECEIVED

	As at 30 June 2001 Unaudited RMB	As at 31 December 2000 Audited RMB
Deposits received	331,390,926	213,701,727

The increase in the Group's deposits received by 55% is mainly attributable to the increase in sales.

12. WAGES PAYABLE

	As at 30 June 2001 Unaudited RMB	As at 31 December 2000 Audited RMB
Wages payable	107,790,804	40,071,857

The increase in the Group's wages payable by 169% is mainly attributable to the increase in unpaid balance of wages payable during the period.

13. STAFF WELFARE PAYABLE

	As at 30 June 2001 Unaudited RMB	As at 31 December 2000 Audited RMB
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Staff welfare payable	15,555,336	10,510,911
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The increase in the Group's staff welfare payable by 48% is mainly attributable to the expected increase in welfare expenditure.

14. ACCRUED CHARGES

	As at 30 June 2001 Unaudited RMB	As at 31 December 2000 Audited RMB
Accrued charges	324,918,387	177,148,569

The increase in the Group's accrued charges by 83% is mainly attributable to the increase in operating expenses.

15. SPECIFIC PAYABLE

	As at 30 June 2001 Unaudited RMB	As at 31 December 2000 Audited RMB
Specific payable	262,920,000	58,920,000

The increase in the Group's and the Company's specific payable by 346% is attributable to the increase in government subsidies for specific construction projects.

16. OTHER OPERATING PROFIT

	For the six months ended 30 June	
	2001 Unaudited RMB	2000 Unaudited RMB
Other operating income	24,597,564	78,254,346
Other operating cost	(20,373,785)	(58,674,880)
Other operating profit	4,223,779	19,579,466

The decrease in the Group's other operating profit by 78% is mainly attributable to the decrease in other operating sales.

17. FINANCIAL EXPENSE

	For the six months ended 30 June	
	2001	2000
	Unaudited RMB	Unaudited RMB
Interest expense	81,410,706	105,882,025
Less: Interest income	(9,534,234)	(12,063,514)
Exchange loss	416,434	1,020,312
Less: Exchange gain	(2,149,024)	(1,159,131)
Others	330,945	840,571
Total	70,474,827	94,520,263

18. INVESTMENT INCOME

	For the six months ended 30 June	
	2001	2000
	Unaudited RMB	Unaudited RMB
Income from debt investment	7,412,505	-

The increase in the Group's and the Company's investment income is mainly attributable to the income received from debt investment.

19. NON-OPERATING INCOME

	For the six months ended 30 June	
	2001	2000
	Unaudited RMB	Unaudited RMB
Environmental loans waived	8,398,000	1,400,000
Others	53,080	1,169,144
Total	8,451,080	2,569,144

The increase in the Group's and the Company's non-operating expenses by 229% is mainly attributable to the environmental loans waived.

20. NON-OPERATING EXPENSES

For the six months

	ended 30 June	
	2001	2000
	Unaudited	Unaudited
	<i>RMB</i>	<i>RMB</i>
Education subsidies	12,814,702	12,560,008
Provision for impairments of fixed assets	82,955,500	-
Provision for impairments of construction in progress	75,000,000	-
Others	1,445,396	2,361,179
Total	172,215,598	14,921,187

The increase in Group's non-operating expenses by 1,054% is mainly attributable to the provision for impairments of fixed assets and provision for impairments of construction in progress.

21. SELLING EXPENSES

	For the six months	
	ended 30 June	
	2001	2000
	Unaudited	Unaudited
	<i>RMB</i>	<i>RMB</i>
Selling expenses	42,487,935	103,436,237

The decrease in the Group's selling expenses by 59% is mainly attributable to the decrease in sales related expenses.

22. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Related party involving control relationship

Name	Registered address	Principal activities	Relationship with the Company	Nature	Legal representative
The Holding	Maanshan City, Anhui Province, PRC	Mining & sorting of mineral products; construction engineering design; construction; property development; integrated technology service; domestic trading; food & beverages; production services; mechanical & electrical equipment manufacturing & metal products manufacturing	Ultimate holding company	Limited company	Gu Jianguo

As at 30 June 2001, the Holding owned 63.23% of the Company's total share capital. Thus all subsidiaries and associates of the Holding become the Company's related parties.

(2) Registered capital of related party involving control relationship and related changes:

Name	At the beginning of period Audited RMB'000	Increase during the period Unaudited RMB'000	Decrease during the period Unaudited RMB'000	At the end of period Unaudited RMB'000
The Holding	6,298,290	-	-	6,298,290

(3) Stocks or equity interest held by related party who could control the Company and the changes thereof:-

Name	At the beginning of period Audited RMB'000	%	Increase during the period Unaudited RMB'000	%	Decrease during the period Unaudited RMB'000	%	At the end of period Unaudited RMB'000	%
The Holding	4,081,480	63.23	300	-	-	-	4,081,780	63.23

(4) ASSOCIATES

Information on related parties who carried out related party transactions with the Company and do not involve in control relationship:

Name of related companies

Relationship with the Company

東莞大寶馬五金製品有限公司	Subsidiary of the Holding
深圳市深皖金屬建材工貿公司	Subsidiary of the Holding
馬鋼法蘭環件製造聯合公司	Subsidiary of the Holding
深圳市粵海馬鋼實業有限公司	Subsidiary of the Holding
馬鞍山市凱馬螺絲製造有限公司	Subsidiary of the Holding
馬鞍山市聯營乙炔廠	Subsidiary of the Holding
馬鋼三聯鐵廠	Subsidiary of the Holding
馬鋼金屬製品聯合公司	Subsidiary of the Holding
馬鞍山市黑馬交通器材公司	Subsidiary of the Holding
馬鋼合力金屬製品有限公司	Subsidiary of the Holding
市鑫馬立體攝影服務有限公司	Subsidiary of the Holding
馬鞍山市馬鋼合力公司工貿分公司	Subsidiary of the Holding
石馬鐵合金廠	Subsidiary of the Holding
上海江南物資聯合經銷公司（江南集團）	Subsidiary of the Holding
安徽神馬冶金有限責任公司	Subsidiary of the Holding

(5) THE FOLLOWING IS A SUMMARY OF THE SIGNIFICANT TRANSACTIONS CARRIED OUT IN THE NORMAL COURSE OF

**BUSINESS BETWEEN THE GROUP AND ITS RELATED PARTIES
DURING THE PERIOD:**

	Six months ended 30 June	
	2001	2000
	Unaudited	Unaudited
	<i>RMB</i>	<i>RMB</i>
Transactions with ultimate holding company:		
Purchases of iron ore and limestone	357,177,011	335,983,015
Fees received for the supply of utilities, services and other consumable goods	(20,970,545)	(21,406,222)
Fees paid for welfare, support services and other services	95,463,995	84,177,189
Purchases of fixed assets and construction services	50,809,862	3,645,301
Sales of steel products	(2,119,451)	(678,151)
Transactions with subsidiaries & associates of holding company:		
Sales of steel products 馬鋼合力金屬品股份公司	(548,202)	(2,134,921)

The terms for the purchase of iron ore and limestone from Holding were in accordance with an agreement dated 14 October 1993 between the Company and the Holding and a new supplementary agreement signed on 18 April 2001.

The terms for the cross-provision of welfare, support services and other services between the Company and Holding were based on a service agreement dated 14 October 1993 between the Company and Holding and a new supplementary agreement signed on 18 April 2001.

The other related party transactions were conducted on terms determined between the Group and Holding.

Details on balances with Holding, and the subsidiaries and associates of Holding are set out in Note 22 point 6 to the financial statements.

(6) RECEIVABLE FROM/PAYABLE TO RELATED PARTIES

As at	As at	Details
30 June	31 December	
2001	2000	
Unaudited	Audited	
<i>RMB</i>	<i>RMB</i>	

Trade receivables:

The Holding	7,431,294	4,533,104	Trade
馬鋼合力金屬製品有限公司	6,061,764	6,473,200	Trade
馬鞍山市黑馬交通器材公司	—	398,095	Trade
馬鞍山市凱馬螺絲製造有限公司	117,217	—	Trade
馬鞍山市馬鋼合力公司工貿分公司	323,900	1,358,900	Trade
	13,934,175	12,763,299	

Other receivables:

The Holding	279,279,731	264,802,307	Trade
石馬鐵合金廠	—	248,819	Trade
馬鞍山市凱馬螺絲製造有限公司	159,657	159,657	Trade
馬鋼三聯鐵廠	2,600,447	2,600,447	Trade
	282,039,835	267,811,230	

Trade payables:

The Holding	8,849,337	5,042,943	Trade
馬鞍山市聯營乙炔廠	214,510	9,977	Trade
馬鋼法蘭環件製造聯合公司	—	24,258	Trade
馬鋼合力金屬製品有限公司	—	535,481	Trade
上海江南物資聯合經銷公司	—	63,411	Trade
安徽神馬冶金有限責任公司	—	7,761	Trade
	9,063,847	5,683,831	

Other payables:

The Holding	6,767,361	2,833,183	Trade
馬鋼三聯鐵廠	—	250,777	Trade
	6,767,361	3,083,960	

Advance on sales:

The Holding	1,010,326	585,841	Trade
馬鞍山市凱馬螺絲製造有限公司	2,029	—	Trade
	1,012,355	585,841	

Prepayments:

The Holding	—	614,359	Trade
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The current accounts with related parties are interest-free, unsecured and have no fixed terms of repayment.

The current accounts with related parties are interest-free, unsecured and have no fixed terms of repayment.