

Supplementary Information

(Prepared under PRC Accounting Standards)

31 December 2006

RETURN ON NET ASSETS AND EARNINGS PER SHARE

Items	Profit during the reporting period RMB'000	Return on net assets (%)		Earnings per share(RMB)	
		Fully Diluted	Weighted average	Fully diluted	Weighted average
Profit from principal operating activities	4,149,210	20.62	20.73	0.643	0.643
Operating profit	2,664,584	13.24	13.31	0.413	0.413
Net profit	2,276,586	11.31	11.37	0.353	0.353
Net profit excluding non-recurring gains or losses	<u>2,234,107</u>	<u>11.10</u>	<u>11.16</u>	<u>0.346</u>	<u>0.346</u>

Return on net assets and earnings per share are computed based on the formula stipulated in the "Regulation for the preparation of information disclosure by listed securities companies (No. 9)" issued by China Securities Regulatory Commission on 19 January 2001.

Including: Net profit excluding non-recurring gains or losses

	2006 RMB	2005 RMB
Net profit	2,276,585,903	2,847,619,960
Add/(deduct):		
Loss on disposal of fixed assets and construction in progress, net	11,196,092	19,114,220
Subsidies income	(5,850,001)	(1,992,600)
Gain on disposal of short term investment	(13,993,737)	–
Other non-operating income and expense items	(636,027)	16,936,405
Reversal of impairment provisions made in prior years	(37,287,348)	–
Income tax effect	4,092,248	(4,070,001)
Total	<u>2,234,107,130</u>	<u>2,877,607,984</u>

The calculation of non-recurring gains or losses is in accordance with Zheng Jian Kuaiji Zi No. (2004) No. 4 "Notice on issuance of 'Questions and answers on information disclosure standards of listed securities companies' No. 1 (revised 2004)" issued by China Securities Regulatory Commission.

Supplementary Information (Continued)

(Prepared under PRC Accounting Standards)

31 December 2006

PROVISION MOVEMENT SCHEDULE

Group

Items	At 1 January 2006 RMB	Increase during the year RMB	Decrease during the year			At 31 December 2006 RMB
			Reversal on upward revaluation of assets RMB	Other transfer-outs RMB	Total RMB	
1. Provision for bad debts:	75,470,795	–	x	x	(8,358,760)	67,112,035
including: Trade receivables	49,298,048	–	x	x	(8,358,760)	40,939,288
Other receivables	26,172,747	–	x	x	–	26,172,747
2. Provision for decline in value of short term investments	–	–	–	–	–	–
3. Provision for inventories:	120,959,892	15,808,106	(41,998,109)	(3,000,000)	(44,998,109)	91,769,889
including: Raw materials	–	–	–	–	–	–
Work in progress	3,000,000	–	–	(3,000,000)	(3,000,000)	–
Construction contract	–	–	–	–	–	–
Finished goods	46,838,109	–	(41,998,109)	–	(41,998,109)	4,840,000
Spare parts	71,121,783	15,808,106	–	–	–	86,929,889
4. Provision for impairment of long term investments	–	–	–	–	–	–
5. Provision for impairment of fixed assets:	117,056,844	–	(19,611,200)	(6,770,000)	(26,381,200)	90,675,644
including: Buildings and structures	10,391,900	–	–	(5,139,500)	(5,139,500)	5,252,400
Plant, machinery and equipment	106,664,944	–	(19,611,200)	(1,630,500)	(21,241,700)	85,423,244
6. Provision for impairment of intangible assets	–	–	–	–	–	–
7. Provision for impairment of construction in progress	74,000,000	–	(17,676,148)	(56,323,852)	(74,000,000)	–
8. Provision for impairment of designated loan	–	–	–	–	–	–

(Prepared under PRC Accounting Standards)
31 December 2006

PROVISION MOVEMENT SCHEDULE (CONTINUED)

Company

Items	At 1 January 2006 RMB	Increase during the year RMB	Decrease during the year			At 31 December 2006 RMB
			Reversal on upward revaluation of assets RMB	Other transfer-outs RMB	Total RMB	
1. Provision for bad debts:	73,862,271	–	x	x	(7,249,501)	66,612,770
including: Trade receivables	47,689,524	–	x	x	(7,249,501)	40,440,023
Other receivables	26,172,747	–	x	x	–	26,172,747
2. Provision for decline in value of short term investments	–	–	–	–	–	–
3. Provision for inventories:	120,959,892	15,808,106	(41,998,109)	(3,000,000)	(44,998,109)	91,769,889
including: Raw materials	–	–	–	–	–	–
Work in progress	3,000,000	–	–	(3,000,000)	(3,000,000)	–
Construction contract	–	–	–	–	–	–
Finished goods	46,838,109	–	(41,998,109)	–	(41,998,109)	4,840,000
Spare parts	71,121,783	15,808,106	–	–	–	86,929,889
4. Provision for impairment of long term investments	–	–	–	–	–	–
5. Provision for impairment of fixed assets:	117,056,844	–	(19,611,200)	(6,770,000)	(26,381,200)	90,675,644
including: Buildings and structures	10,391,900	–	–	(5,139,500)	(5,139,500)	5,252,400
Plant, machinery and equipment	106,664,944	–	(19,611,200)	(1,630,500)	(21,241,700)	85,423,244
6. Provision for impairment of intangible assets	–	–	–	–	–	–
7. Provision for impairment of construction in progress	74,000,000	–	(17,676,148)	(56,323,852)	(74,000,000)	–
8. Provision for impairment of designated loan	–	–	–	–	–	–

Supplementary Information (Continued)

(Prepared under PRC Accounting Standards)

31 December 2006



REPORT ON REVIEW OF THE RECONCILIATION STATEMENT OF DIFFERENCES IN SHAREHOLDERS' EQUITY BETWEEN NEW AND CURRENT ACCOUNTING STANDARDS

Ernst & Young Hua Ming (2007) Zhuan Zi No. 60438514-A01

To the shareholders of Maanshan Iron & Steel Company Limited

We have reviewed the accompanying reconciliation statement of differences in shareholders' equity between the new and current accounting standards (the "Reconciliation Statement") of Maanshan Iron & Steel Company Limited (the "Company") as at 31 December 2006 and 1 January 2007, which is prepared in accordance with the basis of preparation set out in note II to the Reconciliation Statement. Management is responsible for the preparation of the Reconciliation Statement in accordance with Accounting Standard for Business Enterprises No. 38 "First-time Adoption of Accounting Standards for Business Enterprises" and the "Circular on the Proper Disclosure of the Financial and Accounting Information Relating to the New Accounting Standards" (Zheng Jian Fa [2006] No.136, the "Circular"). Our responsibility is to express a conclusion on the Reconciliation Statement based on our review.

According to relevant requirements of the Circular, we conducted our review in accordance with the Standard on Review Engagements for Certified Public Accountants No. 2101 "Review on Financial Statements", which requires us to plan and perform our review to obtain limited assurance as to whether the Reconciliation Statement is free from material misstatement. A review consists of making inquiries of the relevant personnel of the Company in respect of the accounting policies and all significant assertions related to the Reconciliation Statement, obtaining an understanding of the calculation of the reconciled items in the Reconciliation Statement, reading the Reconciliation Statement to determine whether the basis of preparation has been properly complied and performing analytical review procedures when necessary. A review is substantially less in scope than an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the above Reconciliation Statement has not been prepared, in all material respects, in accordance with Accounting Standard for Business Enterprises No. 38 "First-time Adoption of Accounting Standards for Business Enterprises" and the Circular.

Ernst & Young Hua Ming

Beijing, the People's Republic of China

Ge Ming

Chinese Certified Public Accountant

Qin Tongzhou

Chinese Certified Public Accountant

17 April 2007

(Prepared under PRC Accounting Standards)

31 December 2006

THE RECONCILIATION STATEMENT OF DIFFERENCES IN SHAREHOLDERS' EQUITY BETWEEN NEW AND CURRENT ACCOUNTING STANDARDS

Important Notice:

Commencing from 1 January 2007, the Company has adopted the "Accounting Standards for Business Enterprises" (the "new accounting standards") issued by Ministry of Finance ("MOF") in 2006 and the Company is currently assessing the impacts of adoption of the new accounting standards on the Company's financial position, results of operations and cash flows. With further deliberation or by reference with further interpretations on the new accounting standards issued by MOF, the Company may adjust the related accounting policies or significant assertions adopted in the Reconciliation Statement when the financial statements of 2007 are prepared that the shareholders' equity as at 1 January 2007 (under the new accounting standards) presented in the Reconciliation Statement may be different from those amounts presented in the financial statements of 2007.

Items	Notes	Items	Amount RMB
		Consolidated shareholders' equity as at 31 December 2006 (under current accounting standards)	20,122,106,930
1	2	Recognition of equity component of bonds with warrants	714,253,399
2	3	Income taxes	<u>10,421,000</u>
		Equity attributable to equity holders of the parent as at 1 January 2007 (under new accounting standards)	20,846,781,329
3	4	Change in presentation of minority interests	<u>310,497,169</u>
		Consolidated shareholders' equity as at 1 January 2007 (under new accounting standards)	<u>21,157,278,498</u>

The accompanying notes form an integral part of the Reconciliation Statement

Company Representative
Gu Jianguo
17 April 2007

Chief Accountant
Su Jianguo
17 April 2007

Head of Accounting Department
Guan Yagang
17 April 2007

Supplementary Information (Continued)

(Prepared under PRC Accounting Standards)

31 December 2006

NOTES TO THE RECONCILIATION STATEMENT OF DIFFERENCES IN SHAREHOLDERS' EQUITY BETWEEN NEW AND CURRENT ACCOUNTING STANDARDS

I. Purpose of preparation

Commencing from 1 January 2007, the Company has adopted the new accounting standards. To analyse and disclose the impacts of adoption of the new accounting standards on listed companies' financial position, China Securities Regulatory Commission issued the Circular in November 2006, under which listed companies are required to disclose the reconciliation of significant differences in the "supplementary information" of the 2006 financial statements in form of a reconciliation statement in accordance with relevant requirements of Accounting Standard for Business Enterprises No. 38 "First-time Adoption of Accounting Standards for Business Enterprises" and the Circular.

II. Basis of preparation

The Reconciliation Statement was prepared in accordance with relevant requirements of paragraphs 5 to 19 of the Accounting Standard for Business Enterprises No. 38 "First-time Adoption of Accounting Standards for Business Enterprises" and the Circular, and was prepared based on the consolidated financial statements of 2006, taking into consideration the natures and specific circumstances of the Company/Group as well as the materiality of figures.

Besides, for the items mentioned below, the Reconciliation Statement was prepared according to following principles:

1. If subsidiaries, jointly-controlled entities and associates make adjustments in accordance with paragraphs 5 to 19 of the Accounting Standards for Business Enterprises No. 38 "First-time Adoption of Accounting Standards for Business Enterprises", the Company will accordingly adjust the retained earnings or capital reserves based on actual circumstances regarding any events affecting the retained earnings of the above-mentioned companies as well as the share of net assets of the Company.
2. Minority interests are adjusted in accordance with the new accounting standards and presented separately in the Reconciliation Statement.

III. Notes to the Reconciliation Statement

1. The amount of the consolidated shareholders' equity as at 31 December 2006 (under the current accounting standards) is extracted from the consolidated balance sheet as at 31 December 2006 prepared under the current Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises (the "current accounting standards"). The financial statements were audited by Ernst & Young Hua Ming and a standard auditors' report without qualified opinions of Ernst & Young Hua Ming (2007) Shen Zi No. 60438514-A02 was issued on 17 April 2007. For the basis of preparation and principal accounting policies, please refer to the Company's financial statements of 2006.

(Prepared under PRC Accounting Standards)

31 December 2006

NOTES TO THE RECONCILIATION STATEMENT OF DIFFERENCES IN SHAREHOLDERS' EQUITY BETWEEN NEW AND CURRENT ACCOUNTING STANDARDS (CONTINUED)

III. Notes to the Reconciliation Statement (continued)

2. *Recognition of equity component of bonds with warrants*

As presented in note 5.26 to the financial statements of 2006, on 13 November 2006, the Company issued bonds with warrants of RMB5.5 billion in total. The bonds and warrants are listed on the Shanghai Stock Exchange. The subscribers of the bonds have been entitled to receive 1,265,000,000 warrants at nil consideration. The warrants have a life of 24 months from the date of listing and every warrant can be converted into one A share at a conversion price of RMB3.4. Exercise in full of the warrants would have resulted in the issue of 1,265,000,000 A shares.

Under the new accounting standard No. 37 "Presentation of Financial Instruments", the bonds with warrants are determined as a compound financial instrument and should be separately classified as liability and equity components. When conducting the splitting, the fair value of the liability component should be firstly determined, and the carrying amount of the equity component is then determined by deducting the fair value of the liability component from the issue price of the compound financial instrument as a whole. Direct issue costs of the compound financial instrument should be allocated between the liability and equity component according to the proportions of their fair values. Accordingly, the equity component of the bonds with warrants recognised as at 31 December 2006 amounted to RMB714,253,399, which caused an increase of RMB714,253,399 in equity attributable to equity holders of the parent as at 1 January 2007.

3. *Income taxes*

Under the new accounting standard No. 18 "Income taxes", deferred tax is provided on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Accordingly, the Company recognised deferred tax assets of RMB134,565,000 on the temporary differences arising mainly from asset impairments, and deferred tax liabilities of RMB124,144,000 on temporary differences arising mainly from the splitting of the compound financial instrument as at 31 December 2006, which caused an increase of RMB10,421,000 in equity attributable to equity holders of the parent as at 1 January 2007.

4. *Change in the presentation of minority interests*

Under the new accounting standards, minority interests amounting to RMB310,497,169 shall be presented as a line item of equity in the consolidated balance sheet, while under the current accounting standards, it was presented separately other than liabilities and equity in the consolidated balance sheet.