



MAANSHAN IRON & STEEL COMPANY LIMITED

H Share Code: 323

A Share Code: 600808



2009 INTERIM REPORT

Contents

I.	Company Profile	2
II.	Movements in Share Capital and Major Shareholding Structure	5
III.	Bonds with Warrants	9
IV.	Directors, Supervisors and Senior Management	10
V.	Report of the Directors	11
VI.	Significant Matters	20
VII.	Financial Statements	28
VIII.	Documents Available for Inspection	124

IMPORTANT NOTICE

The board of directors (the “Board of Directors”), the supervisory committee, the directors, the supervisors and senior management of Maanshan Iron & Steel Company Limited (the “Company”) warrant that there are no false representations and misleading statements contained in, or material omissions from, this report; and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report.

No funding appropriation by substantial shareholders was found in the Company.

The Company did not provide external guarantees which were in violation of stipulated decision-making procedures.

Mr. Gu Jianguo, Chairman of the Company, Mr. Su Jianguang, Director and General Manager overseeing the accounting operations, and Mr. Zhang Qianchun, Planning and Finance Manager in charge of the Accounting Department, make representation in respect of the truthfulness and completeness of the financial statements contained in the interim report.

The financial statements contained in this interim report have not been audited, but have been reviewed by the Company’s audit committee.

Company Profile

1. BASIC INFORMATION

Company Name	:	馬鞍山鋼鐵股份有限公司 (abbreviated “馬鋼”)
Company Name in English	:	MAANSHAN IRON & STEEL COMPANY LIMITED (MAS C. L.)
Legal Representative	:	Gu Jianguo
Secretary to the Board of Directors	:	Gao Haijian
Representative for Securities Affairs	:	Hu Shunliang
Office and Correspondence Address	:	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC
Registered Address	:	No. 8 Hong Qi Zhong Road, Maanshan City, Anhui Province, the PRC
Postal Code	:	243003
Company's Website	:	http://www.magang.com.cn (A Shares) http://www.magang.com.hk (H Shares)
Email Address	:	mggfdms@magang.com.cn
Telephone	:	86-555-2888158 / 2875251
Fax	:	86-555-2887284
Place of Listing, Stock Name and Stock Code of A Shares	:	Shanghai Stock Exchange/Magang Stock/600808
Place of Listing, Stock Name and Stock Code of H Shares	:	The Stock Exchange of Hong Kong Limited/ Maanshan Iron & Steel/323
Newspapers for Information Disclosure	:	Shanghai Securities News

Website Designated by China Securities Regulatory Commission
(the "CSRC") for Information Disclosure : <http://www.sse.com.cn>

The Company's Interim Report is Available at : Secretariat Office for the Board of Directors of Maanshan Iron & Steel Company Limited

Maanshan Iron & Steel Company Limited is principally engaged in the manufacture and sale of iron and steel products. Currently, it is one of the largest iron and steel producers and marketers in the PRC. The manufacturing process primarily involves iron-making, steel-making and steel rolling. The Company's principal product is steel products which come in four major categories: steel plates, section steels, wire rods, train wheels and wheel rims, with a full range of models and specifications designed for a variety of applications. Over 90% of these products are sold in the domestic market.

2. MAJOR FINANCIAL DATA AND INDICATORS

Major financial data and indicators of the Company and its subsidiaries (the "Group") prepared under China Accounting Standards

	As at the end of the reporting period	As at the end of the previous year	Unit: RMB'000 Increase/ (decrease) of the end of the reporting period as compared to the end of the previous year (%)
Total assets	71,151,797	66,144,556	7.57
Shareholders' equity	25,245,267	26,006,983	(2.93)
Net assets per share (RMB)	3.28	3.80	(13.68)

Company Profile (Continued)

	Reporting period (January to June)	Corresponding period of the previous year	Increase/(decrease) of the reporting period as compared to the corresponding period of the previous year (%)
Operating profit/(loss)	(818,234)	3,125,952	(126.18)
Profit/(loss) before tax	(732,964)	3,153,510	(123.24)
Net profit/(loss)	(795,421)	2,243,425	(135.46)
Net profit/(loss) excluding non-recurring gains or losses	(879,123)	2,213,441	(139.72)
Basic earnings per share (RMB)	(0.103)	0.332	(131.02)
Diluted earnings per share (RMB)	N/A	0.306	N/A
Return on net assets (%)	(3.15)	9.14	a decrease of 12.29 percentage-points
Net cash flows from operating activities	6,358,176	6,537,919	(2.75)
Net cash flows per share from operating activities (RMB)	0.826	0.967	(14.58)

Items and amounts of non-recurring gains or losses for the current reporting period:

<u>Item of non-recurring gains or losses</u>	<i>Unit: RMB'000</i> <u>Amount</u>
Net loss on disposal of non-current assets	2,515
Other non-operating income and expenses	(1,312)
Government subsidies	49,469
Recognition of deferred income	34,598
Fair value gains and losses of financial assets held for trading	271
Income tax effect	(733)
Non-recurring gains or losses attributable to minority shareholders	(1,106)
Total	<u>83,702</u>

Movements in Share Capital and Major Shareholding Structure

1. MOVEMENT IN THE COMPANY'S SHAREHOLDING STRUCTURE DURING THE REPORTING PERIOD:

Unit: Shares

	Prior to the current movements		Increase/(decrease) of current movements					After current movements		
	Number of shares	(%)	Issue of new shares	Bonus share	Transferred from reserves	State share reform	Increase/(decrease) in holdings by substantial shareholders	Sub-total	Number of shares	(%)
I. Shares subject to selling restrictions	3,886,429,585	50.47	-	-	-	-	6,000	6,000	3,886,435,585	50.47
1. State-owned shares	3,830,560,000	49.74	-	-	-	-	-	-	3,830,560,000	49.74
2. State-owned legal person shares	55,857,927	0.73	-	-	-	-	6,000	6,000	55,863,927	0.73
3. Other domestic shares	-	-	-	-	-	-	-	-	-	-
Including:										
Shares owned by domestic legal persons	-	-	-	-	-	-	-	-	-	-
Shares owned by domestic natural persons	11,658	0.0002	-	-	-	-	-	-	11,658	0.0002
4. Foreign owned shares	-	-	-	-	-	-	-	-	-	-
Including:										
Shares owned by foreign legal persons	-	-	-	-	-	-	-	-	-	-
Shares owned by foreign natural persons	-	-	-	-	-	-	-	-	-	-
II. Shares not subject to selling restrictions	3,814,251,601	49.53	-	-	-	-	(6,000)	(6,000)	3,814,245,601	49.53
1. RMB-denominated ordinary shares	2,081,321,601	27.03	-	-	-	-	(6,000)	(6,000)	2,081,315,601	27.03
2. Domestic listed foreign shares	-	-	-	-	-	-	-	-	-	-
3. Foreign listed foreign shares	1,732,930,000	22.50	-	-	-	-	-	-	1,732,930,000	22.50
4. Others	-	-	-	-	-	-	-	-	-	-
III. Total number of shares	7,700,681,186	100	-	-	-	-	-	-	7,700,681,186	100

2. THE NUMBER OF SHAREHOLDERS AND SHAREHOLDING STRUCTURE

(1) The number of shareholders and details of the 10 largest shareholders

Unit: Shares

Total number of shareholders As at the end of the reporting period, the Company had a total of 339,275 shareholders.

Movements in Share Capital and Major Shareholding Structure (Continued)

Shareholding of the 10 largest shareholders

Name of shareholder	Type of shareholders	As a percentage to number of shares held (%)	Total number of shares held	Number of shares held with selling restrictions	Number of pledged or frozen shares
Magang (Group) Holding Company Limited	State-owned shareholder	50.47	3,886,423,927	3,886,423,927	0
HKSCC (Nominees) Limited	Foreign shareholder	22.15	1,705,316,997	0	Unknown
中國建設銀行－鵬華價值優勢股票型證券投資基金	Others	0.95	73,098,618	0	Unknown
中國建設銀行－上投摩根中國優勢證券投資基金	Others	0.94	72,724,623	0	Unknown
中國工商銀行－南方成份精選股票型證券投資基金	Others	0.63	48,532,528	0	Unknown
興業銀行股份有限公司					
－興業趨勢投資混合型證券投資基金	Others	0.46	35,392,627	0	Unknown
中國工商銀行－南方績優成長股票型證券投資基金	Others	0.41	31,539,544	0	Unknown
中國工商銀行－博時精選股票證券投資基金	Others	0.39	29,999,939	0	Unknown
中國建設銀行－華夏紅利混合型開放式證券投資基金	Others	0.37	28,357,797	0	Unknown
中國建設銀行－長城消費增值股票型證券投資基金	Others	0.35	26,617,034	0	Unknown

Shareholding of the 10 largest shareholders without selling restrictions

Name of shareholder	Number of shares held without selling restrictions	Type of shares
HKSCC (Nominees) Limited	1,705,316,997	Overseas-listed foreign shares
中國建設銀行－鵬華價值優勢股票型證券投資基金	73,098,618	RMB-denominated ordinary shares
中國建設銀行－上投摩根中國優勢證券投資基金	72,724,623	RMB-denominated ordinary shares
中國工商銀行－南方成份精選股票型證券投資基金	48,532,528	RMB-denominated ordinary shares
興業銀行股份有限公司－興業趨勢投資混合型證券投資基金	35,392,627	RMB-denominated ordinary shares
中國工商銀行－南方績優成長股票型證券投資基金	31,539,544	RMB-denominated ordinary shares
中國工商銀行－博時精選股票證券投資基金	29,999,939	RMB-denominated ordinary shares
中國建設銀行－華夏紅利混合型開放式證券投資基金	28,357,797	RMB-denominated ordinary shares
中國建設銀行－長城消費增值股票型證券投資基金	26,617,034	RMB-denominated ordinary shares
中國農業銀行－大成創新成長混合型證券投資基金	22,999,972	RMB-denominated ordinary shares

Description of any connected relationships or concerted actions among the above-mentioned shareholders

There was no connected relationship between Magang (Group) Holding Company Limited (“Holding”) and any of the afore-mentioned shareholders, nor were they concerted parties. 南方基金管理有限公司 was the manager of 南方成份精選股票型證券投資基金 and 南方績優成長股票型證券投資基金. However, the Company is not aware of whether the other shareholders mentioned above had connected relationship or whether they were concerted parties.

During the reporting period, no shares held by Holding were pledged, held in lien or placed in custody, but the Company is not aware whether or not shares held by other shareholders interested in 5% or more of the Company's shares were pledged, held in lien or placed in custody during the reporting period.

HKSCC (Nominees) Limited held 1,705,316,997 H shares of the Company on behalf of multiple clients.

- (2) Save as disclosed above, details of the holders of the Company's H shares required to be disclosed pursuant to Section 336 of the Securities and Futures Ordinance as at 30 June 2009:

<u>Name of shareholder</u>	<u>Capacity as holder or deemed holder of interests</u>	<u>Number of shares interested or deemed interested (Shares)</u>	<u>Approximate percentage of the Company's issued H shares (%)</u>
JPMorgan Chase & Co.	Note 1	257,159,680 (Long position) 12,177,904 (Short position)	14.84 0.70
Halbis Capital Management (Hong Kong) Limited	Investment manager	116,642,000 (Long position)	6.73
UBS AG	Note 2	87,497,160 (Long position) 63,376,827 (Short position)	5.05 3.66

Note 1: JPMorgan Chase & Co. has a long position of 33,344,680 shares and a short position of 12,177,904 shares as the actual owner; a long position of 167,998,000 shares as the investment manager; and a long position of 55,817,000 shares as the custodian.

Note 2: UBS AG has a long position of 57,016,990 shares and a short position of 17,299,427 shares as the actual owner; a long position of 30,480,170 shares and a short position of 31,530,200 shares of interests held by legal entities controlled by the substantial shareholder; and a short position of 14,547,200 shares as an entity entitled to guaranteed interests in the shares.

Movements in Share Capital and Major Shareholding Structure (Continued)

(3) Shareholding of shareholders subject to selling restrictions and their respective selling restrictions

Unit: Shares

<u>Name of shareholder with selling restrictions</u>	<u>Number of shares held with selling restrictions</u>	<u>Time of listing and trading</u>	<u>Additional listed and tradable shares</u>	<u>Selling restrictions</u>
Magang (Group) Holding Company Limited	3,886,423,927	Not applicable	Not applicable	Note 1
Gu Jianguo	3,886	Not applicable	Not applicable	Note 2
Gu Zhanggen	3,886	Not applicable	Not applicable	Note 2, 3
Su Jiangan	3,886	Not applicable	Not applicable	Note 2

Note 1: After the implementation of the State Share Reform on 31 March 2006, the Company's shares held by Holding will not be listed for trading or transferred within 12 months from the tradable date of the shares, and the state-owned shares held by Holding will also not be listed for trading or transferred in the following 24 months.

Holding implemented the shares acquisition plan for the first time via the trading system of the Shanghai Stock Exchange (the "SSE") on 12 September 2008. Meanwhile, Holding undertook that: it would continue to acquire A shares of the Company via the trading system of the SSE within 12 months from the date of publishing the shares acquisition announcement (i.e. 12 September 2008). The accumulated acquisition ratio will not exceed 2% of the total share capital of the Company (i.e. the issued share capital of the Company as at 12 September 2008). It will not sell the shares of the Company it held during the implementation of the continuous acquisition plan and during the statutory period. As at the latest practicable date for the publication of this report, (i.e. 31 July 2009), the latest batch of shares acquired by Holding was acquired on 6 May 2009.

Note 2: Directors are subject to selling restrictions during their terms of office.

Note 3: Director Mr. Gu Zhanggen, resigned on 21 January 2009 and the selling restriction on the Company's shares he held was released after six months of his resignation.

Bonds with Warrants

1. DETAILS OF THE 10 LARGEST HOLDERS OF “06馬鋼債” AS AT THE END OF THE REPORTING PERIOD (UNIT: RMB):

<u>Name of bond holder</u>	<u>Number of bonds held</u>
Ping An Insurance (Group) Company of China	649,892,000
China Pacific Life Insurance Co.	549,146,000
China Life Reinsurance Co.	383,595,000
China Marine Finance Co., Ltd.	336,830,000
中國大地財產保險股份有限公司	300,000,000
National Social Security Fund No. 304	280,884,000
National Social Security Fund No. 305	272,536,000
National Social Security Fund No. 306	241,727,000
Sino Life Insurance Co., Ltd.	162,196,000
ICBC-China Southern Principal Protected Fund	156,716,000

2. DURING THE REPORTING PERIOD, THERE WERE NO MATERIAL CHANGES IN THE PROFITABILITY, ASSET CONDITION AND CREDIT CONDITION OF HOLDING, THE GUARANTOR.

Directors, Supervisors and Senior Management

As at the end of the reporting period, current Directors Mr. Gu Jianguo and Mr. Su Jianguo and retiring Director Mr. Gu Zhanggen held 3,886 shares each in the Company. There were no changes during the reporting period. None of the remaining directors, supervisors or senior management held any shares of the Company.

Save as disclosed above, as at 30 June 2009, none of the directors, supervisors, senior management or their respective associates had any interests or short positions in the share capital or relevant share capital of the Company or any of its associated corporations which were required to be reported in accordance with Section 352 of the Securities and Futures Ordinance.

During the reporting period, none of the Company's directors, supervisors, senior management or their respective spouses or minor children received any benefits from any rights granted to them to acquire shares in or debentures of the Company, nor were there any exercising of such rights by any such persons. Neither the Company, the Company's subsidiaries, Holding nor any of Holding's subsidiaries had taken part in any arrangements that allow directors, supervisors and senior management of the Company to benefit from acquiring shares in or debentures of any other legal corporations.

The Articles of Association of the Company has set out clearly the code of behaviour for the Company's directors, supervisors and senior management in dealing with the securities of the Company. All directors of the Company have confirmed in writing that during the reporting period, directors of the Company complied with the requirements stipulated by the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

On 21 January 2009, Mr. Gu Zhanggen has reached retirement age and requested to resign from his positions of Vice Chairman, Director and member of the Nomination Committee. After discussion, the Board of Directors agreed Mr. Gu to resign from these positions.

Save as disclosed herein, there was no appointment or removal of other directors, supervisors and senior management of the Company during the reporting period.

Report of the Directors

1. THE MACRO ENVIRONMENT FOR PRODUCTION AND OPERATION

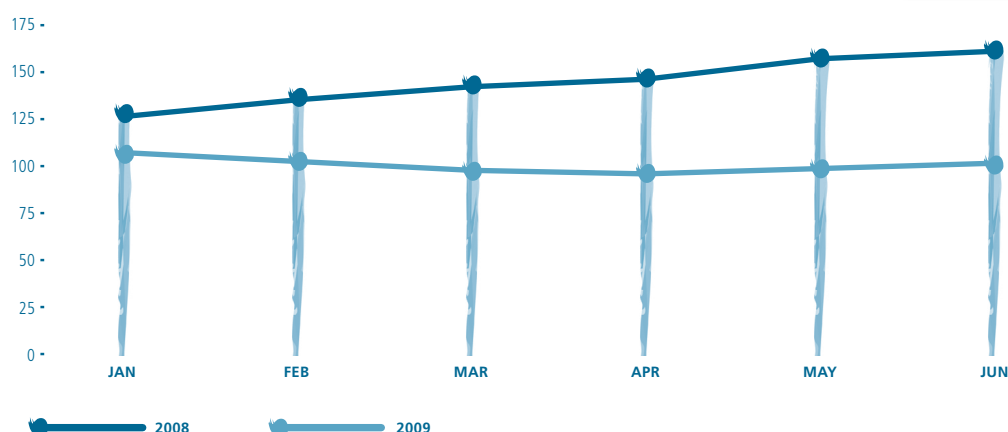
In the first half of 2009, the world has not gone through the economic crisis yet. Under such impact, the international market demand for steel products decreased, resulting in declines of steel product prices. Accordingly, the consolidated price index for global steel products at the end of June dropped by over 50% year-on-year.

In the first half, the Chinese government implemented proactive fiscal policies and moderately relaxed monetary policies. Entering the second quarter, industrial production output saw an increase; and fixed assets investment maintained growth. The national economy stabilised and witnessed a slight rebound, registering a GDP growth of 7.1% in the first half with a GDP growth of 7.9% reported in the second quarter.

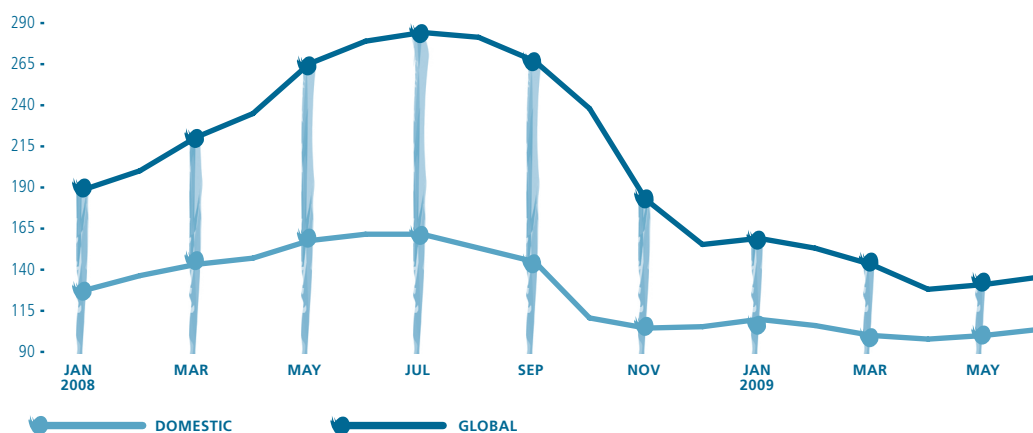
During the reporting period, impacted by an economic slowdown, demand for steel products in the domestic iron and steel industry recorded a significant decrease. Moreover, an excess in production capacity and a sharp decrease in exports led to significant decreases in steel product prices compared to the corresponding period of the previous year. After experiencing a short rebound in January, the consolidated price index for domestic steel products decreased in three straight months from February to April. Sales of steel products were so difficult that the consolidated price index for steel products dropped by 11.3% at the end of April over the end of January. Between May and June, as the State's plan to boost domestic demand has further proved its effectiveness, downstream industries including manufacturing and properties exhibited signs of recovery. Demand for iron and steel picked up, and there were slight increases in steel product prices. At the end of June, the consolidated price index for steel products was 101.98, still a lingering decrease of 36.8% over the corresponding period of the previous year.

On the cost front, prices of externally purchased raw materials, fuels and transportation for iron and steel enterprises experienced frequent fluctuations in the first half, causing extreme difficulties to the production and operation of iron and steel enterprises. From January to June, a majority of medium-to-large iron and steel production enterprises realised sales revenue from principal operating activities of RMB955,030 million, representing a year-on-year decrease of 28.07%, with profit amounting to RMB1,725 million, representing a year-on-year decrease of 98.32%.

CONSOLIDATED PRICE INDICES FOR DOMESTIC STEEL PRODUCTS FOR THE FIRST HALF OF 2009



CONSOLIDATED PRICE INDICES FOR GLOBAL AND DOMESTIC STEEL PRODUCTS FOR THE FIRST HALF OF 2009



2. PRODUCTION AND OPERATION OF THE COMPANY

Faced with unprecedented operating pressure, the Company, with reducing costs and enhancing efficiency as its main focus, strove to enhance product quality, innovate work systems and strengthen internal management. Through adopting an array of measures to strengthen research-production-sales, boost revenues and reduce expenses, the Company has done a lot of conscientious hard work in various respects regarding procurement, production, sales and management. Thanks to these efforts, the Company registered profits for the months of May and June.

In the first half, the Company's major work included:

- **Adjusted the operation of production based on the principle of efficiency.**

In the first half, the Company unremittingly adjusted its production and organised its operation according to sales orders and the marginal contribution of products, as well as resuming gradual production of the blast furnace to which a stage-wise suspension of production was implemented last year. During the reporting period, the Group produced a total of 6,760,000 tonnes of pig iron, 7,080,000 tonnes of crude steel and 6,690,000 tonnes of steel products respectively, representing decreases of 5.32%, 10.94% and 8.98% respectively over the corresponding period of the previous year. The Company produced 6,120,000 tonnes of pig iron, 6,360,000 tonnes of crude steel and 5,980,000 tonnes of steel products respectively, representing decreases of 4.52%, 10.04% and 8.14% respectively over the corresponding period of the previous year.



- **Imposed pressure so as to establish a united entity.**

Through a market-retrospective system, the Company imposed pressure to all levels of staff involved in the internal production procedures, so as to achieve the cost objectives for iron-making, crude iron and steel products in various categories. Through launching initiatives to encourage rational suggestions, the Company mobilised the entire staff to carry out management innovation and technological innovation. Meanwhile, the Company linked staff remuneration with relevant cost reduction benchmarks, with a view to fully stimulating the entire staff's initiatives in reducing costs and enhancing efficiency.

- **Enhanced product quality and pushed ahead research-production-sales work.**

During the reporting period, the Company established a "five-in-one" work system of "research-production-sales" covering market expansion, research and development, production, sale and after-sale service. The Company formed six "research-production-sales" work groups for its key products including electrical steel, automobile plates, high-speed electric train wheels, pipeline steel, stable corten steel plates with high corrosion-resistant power and plates for home electrical appliances. It implemented the project management system and made clear definition of responsibilities, rights and interests. The Company made substantial progress in product development and developed 150,000 tonnes of automobile plates, 240,000 tonnes of plates for home electrical appliances and 60,000 tonnes of silicon steel.

- **Tracked the market and enhanced the prompt-response system.**

In the first half, prices of steel products, raw materials and fuels exhibited significant volatilities. In response, the Company strengthened its research on market dynamics and timely tracked market changes. Meanwhile, the Company insisted on purchase by comparing the prices of various suppliers and increased the proportion of direct sales. During the reporting period, the Group's total sales of steel products amounted to 6,520,000 tonnes, in which sales of steel plates, section steels, wire rods, train wheels and wheel rims amounted to 2,980,000 tonnes, 1,140,000 tonnes, 2,300,000 tonnes and 100,000 tonnes respectively.

- **Sped up the recovery of funds and controlled capital expenditures.**

By putting the sustainability of production and operation as its first priority, the Company insisted on receiving deposits in advance for sales of its products; rationally suppressed inventories of raw materials and fuels; temporarily put certain fixed assets investment projects on hold; and contained costs and expenses, with a view to assuring an ample cash flow for the Company. Compared to the corresponding period of the previous year, selling expenses and financial expenses both dropped by over 30%.

- **Insisted on having a balanced and integrated development and enhanced systems, with a view to achieving economic efficiency.**

The Company achieved remarkable results in the following aspects: continually renovating production technology; strengthening energy management and safeguarding the operation of facilities; enhancing and balancing the utilisation of different energies; and deepening its efforts in making an integrated use of various resources. Fresh water consumption per tonne of steel amounted to 5.73 m³ in the first half, representing a decrease of 1.67 m³ year-on-year; and self-generated power accounted for 69.59% of total power consumption, representing an increase of 11.67 percentage-points year-on-year.

- **Implemented the “Internal Control of Enterprises – Basic Principles” to establish an internal control system of the Company.**

In the first half, the Company embarked on work to establish the internal control system as scheduled, including designing the risk management database, organising control activities and compiling the “Internal Control Manual”. The “Internal Control Manual” was formally approved by the Board of Directors on 29 June 2009.

3. RESULTS OF THE GROUP'S PRINCIPAL OPERATING ACTIVITIES FOR THE REPORTING PERIOD PREPARED UNDER CHINA ACCOUNTING STANDARDS

- The iron and steel segment accounted for about 92.15% of the operating income, as well as approximately 61.54% of the gross operating profit:

Unit: RMB million

Business segment/ Product segment	Operating income	Operating cost	Gross profit margin (%)	Year-on-year increase/ decrease of operating income (±%)	Year-on-year increase/ decrease of operating cost (±%)	Year-on-year increase/ decrease of gross profit margin (±%)
Iron and steel	21,587	21,428	0.74	-39.41	-31.80	-11.07
Product Segment						
Steel plates	9,579	9,946	(3.83)	-45.28	-36.02	-15.02
Section steels	3,486	3,561	(2.15)	-41.10	-31.06	-14.89
Wire rods	7,389	7,248	1.91	-29.25	-22.84	-8.15
Train wheels and wheel rims	1,126	667	40.76	-20.31	-31.59	9.77

The amount involving connected transactions which arose from the Company's selling of its products or providing labour services to the controlling shareholder and its subsidiaries totalled RMB13 million during the reporting period.

The gross profit margins of steel plates, section steels and wire rods decreased compared to the corresponding period of the previous year due to a significant decrease in sales prices of these products of the Company during the reporting period compared to the corresponding period of the previous year.

- **Geographical distribution of the Group's operating income**

Region	Operating income	Unit: RMB million
		Year-on-year increase/ decrease of operating income (±%)
Anhui	15,971	8.49
Jiangsu	2,622	-45.79
Zhejiang	1,684	-55.56
Shanghai	1,093	-84.16
Guangdong	720	-72.37
Other PRC regions	1,049	-64.23
Exports	285	-85.28

4. PROFIT BREAKDOWN OF THE GROUP DURING THE REPORTING PERIOD UNDER CHINA ACCOUNTING STANDARDS

In the first half of 2009, the Group's operating income dropped 37.91% year-on-year, which was mainly due to decreases in sales volume and average price of the steel products during the reporting period. Cost of sales decreased by 29.48% year-on-year, mainly due to decreases in prices of raw materials and fuels during the reporting period. Selling expenses decreased by 32.23% year-on-year, mainly due to drops in export of steel products and the relevant shipping costs during the reporting period. Administrative expenses decreased by 11.11% year-on-year. Financial expenses decreased by 34.02% year-on-year, mainly due to a decrease in interest expenses during the reporting period. Operating profit decreased by 126.18% year-on-year; total profit decreased by 123.24% year-on-year; while net profit attributable to equity holders of the Company decreased by 135.46% year-on-year, which were mainly due to significant decreases in sales volumes and average prices of steel products during the reporting period.

The operating profit margin was 1.11%, a decrease of 11.82 percentage-points as compared to the corresponding period of the previous year due to a significant decrease in the sales prices of the Company's major products during the reporting period.

5. THE OPERATIONS OF THE GROUP'S MAJOR INVESTED ENTITIES UNDER CHINA ACCOUNTING STANDARDS

Maanshan BOC-Ma Steel Gases Company Limited, in which the Company holds a direct stake of 50%, is mainly engaged in the production and sales of gas products in gaseous or liquid form, as well as the planning and construction of other industrial gas product projects. Net profit during the reporting period was approximately RMB62 million.

Jiyuan Shi JinMa Coke Co., Ltd, in which the Company holds a direct stake of 36%, is mainly engaged in the production and sales of coke, tar, benzene and coke oven gas. Net profit for the reporting period amounted to approximately RMB41 million.


Tengzhou Shenglong Coke Co., Ltd, in which the Company holds a direct stake of 32%, is mainly engaged in production and sales of coke, tar, coal gas and coke chemical products; provision of ancillary logistics services and operation of economic and trade business. Net profit for the reporting period amounted to approximately RMB46 million.

Shanghai Iron and Steel Electronic Deal Center Co., Ltd., in which the Company holds a direct stake of 20%, is mainly engaged in the electronic trading of iron and steel products and the planning and setting up of the relevant ancillary services, as well as e-commerce technology and information services for iron and steel. Net profit for the reporting period amounted to approximately RMB39 million.

Maanshan Harbor Group Co., Ltd, in which the Company holds a direct stake of 45%, is mainly engaged in stevedoring of materials at the ports; freight agency; storage services; ocean-land cargo transit; assembly and disassembly business of containers; as well as providing integrated services and repair of engineering machinery and provision of spare parts to ships involved in domestic and foreign trade. Net profit for the reporting period amounted to approximately RMB13 million.

6. FINANCIAL POSITION AND EXCHANGE RISKS

As at 30 June 2009, the total amount of loans borrowed by the Group was RMB18,751 million, including loans for working capital of RMB1,752 million and construction loans of RMB16,999 million. Except for foreign currency loans amounting to US\$875 million and Euro1 million, all other loans were denominated in Renminbi. Except for a US dollar loan which carried interests at a LIBOR plus a fixed percentage, all other loans of the Group carried interests calculated at fixed interest rates. Movements of the Group's entire loans followed the developments in production and construction projects. No overdue payments have been recorded so far.



As at 30 June 2009, in accordance with China Accounting Standards, the Group's gearing ratio (total liabilities/total assets) stood at 63.68%. Under the Hong Kong Financial Reporting Standards, the Group's gearing ratio (total liabilities/total assets) stood at 63.75%.

As at the end of the reporting period, bank commitments to provide banking facilities to the Group amounted to approximately RMB46,950 million.

As at 30 June 2009, the Group's cash and balances with financial institutions amounted to RMB11,747 million. Bills receivable amounted to RMB3,079 million (of which bankers' acceptance bills due within three months amounted to RMB1,988 million). Deposits received for the coming month constituted a substantial part of the cash and balances with financial institutions and bank acceptance bills.

The Group's import of raw materials was mainly settled in US dollar, while import of equipment and spare parts was settled in Euro or Japanese Yen, and export of products was settled in US dollar. Given that the exchange rate of US dollar to RMB went through slight fluctuations at the level of around 6.8350 in the first half of 2009, resulting in a slight depreciation in US dollar during the reporting period, consequently a small amount of exchange gain was realised from the Company's US dollar-denominated debts. Moreover, since the total amount of payments denominated in US dollar on imported iron ore is larger than that of income from export, the appreciation of RMB is beneficial to the Company. During the reporting period, as the amount of purchase of equipment from Europe and Japan was insignificant, fluctuations of exchange rates had relatively small impact on payments for purchase. During the reporting period, as the interest rate of loans denominated in US dollar was lower than that of loans denominated in Renminbi and the fluctuations in exchange rates were not significant, the Company increased its financing denominated in US dollar and reduced a portion of financing denominated in Renminbi.

7. INVESTMENTS

- During the reporting period, the Group expended a total of RMB1,272 million on construction in progress, down 9.85% from the corresponding period of the previous year.
- Major investment projects financed by other than fundraising proceeds

Total investment of large-scale forged backup rolling line, the key project of Magang-Union Electric Steel Roll Co., Ltd., a controlling subsidiary of the Company, amounted to RMB287 million. At the end of the reporting period, equipment for the project was successively installed at the site and the project is expected to be completed in the first quarter of 2010.

8. STATUS OF INTERNAL CONTROL

The Company's internal control system encompasses the whole process of production, operation and management which includes monetary capitals, procurement and payment, external investments, construction projects, sales and payment collection, costs and expenses, external guarantees, connected transactions, preparation of financial reports, budget management, information system and information disclosure. The system ensures orderly conduct of various work of the Company and forms a regulated management system, giving effective identification and control over operating risks. Meanwhile, the Company further enhances the Company's existing management system pursuant to the requirements of laws, regulations and regulatory documents and the changes in the actual condition of the Company, so as to ensure that the internal management system of the Company is effective all the time.

According to the reporting of the Audit Committee of the Board of Directors, at the board meeting held on 18 August 2009, the Board of Directors confirmed that the internal control and risk management procedures of the Company and its subsidiaries in the first half of 2009 were effective.

9. THE ENVIRONMENT FOR PRODUCTION AND OPERATION AND COPING STRATEGIES

Based on the current situation, the global economic crisis is expected to ease in the second half of 2009. China will continue to prioritise its economic initiatives on promoting a stable and rapid development of the economy as its prime task. To achieve this objective, the State will continue to implement proactive fiscal policies and moderately relaxed monetary policies and will implement economic stimulus plans in full scale. Meanwhile, through enhancing the relevant policies and measures, the State will push ahead structural adjustments, strengthen energy conservation and environmental protection and coordinate inter-region development, with a view to achieving stable and rapid economic development. Nevertheless, as a number of uncertainties persist in the international and domestic arena and the foundation for an economic rebound has not been solidified, it is anticipated that the economic development will still face lingering difficulties and challenges.



As various policies and measures implemented by the State have successively proved their effectiveness, and downstream industries including automobile, home electrical appliances and equipment manufacturing will recover gradually, domestic demand for iron and steel is also expected to witness considerable growth. However, affected by factors including an excess in production capacity; an acute imbalance between demand and supply in the iron and steel industry; difficulty in exports of steel products; and not-yet-determined contract prices for imported iron ore, domestic steel product prices are facing quite a lot of uncertainties in the second half. Meanwhile, as prices of raw materials and fuels as well as international shipping costs will soar in the second half, the production costs of iron and steel will increase. Iron and steel enterprises will continue to face grim conditions with respect to their production and operation.

In view of this, the Company will strengthen market research, conscientiously organise production, strengthen plan management and enhance its appraisal system. While enhancing product quality, the Company will continue to implement various effective measures to reduce costs and enhance efficiency so as to uplift the quality of its economic operation.

Significant Matters

1. CORPORATE GOVERNANCE

In accordance with the requirements of relevant laws and regulations, the Company has set up a check-and-balance management system consisting of the Shareholders' General Meeting, the Board of Directors, the Supervisory Committee and the General Manager, among whom the division of work and responsibilities were clear and unambiguous.

The Company has, to the best knowledge of the Board of Directors, complied with the requirements of the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the reporting period, and no deviation from the code provisions was found.

2. PROFIT DISTRIBUTION PLAN AND IMPLEMENTATION

(1) Implementation of the profit distribution plan of the Company for the previous year

In 2008, the Company did not implement profit distribution.

(2) Cash dividend policy of the Company and implementation during the reporting period

- *Cash dividend policy of the Company*

On 28 April 2009, the "Amendments to the Articles of Association" was approved at the fifth meeting of the sixth session of the Board of Directors of the Company. The amendments clearly set out that dividends are distributed to shareholders in proportion to their shareholdings, based on the principle of giving proper regard to both the need to generate reasonable investment return for shareholders and the need to fulfill reasonable funding requirements for the Company. The cash dividend policy should be maintained on a continuous and stable basis. The amendments were considered and approved at the 2008 annual general meeting of the Company held on 16 June 2009.

- The Company did not implement profit distribution including cash dividends for the first half of 2009 and no transfer to share capital from capital reserve fund was conducted.

3. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company had no material litigation and arbitration during the reporting period.

4. During the reporting period, save as the shares issued by the following listed companies, the Company did not hold any equity interests in other listed companies, non-listed financial enterprises or companies that were seeking listing status (shareholding unit: share; amount: RMB):

<u>Item no.</u>	<u>Securities code</u>	<u>Abbreviation</u>	<u>Number of shares held at the end of the reporting period</u>	<u>Initial investment amount</u>	<u>Book value at the end of the reporting period</u>	<u>Book value at the beginning of the reporting period</u>	<u>Item category in accounting</u>
1	601857	PetroChina	35,000	584,500	506,800	355,950	Held-for-trading financial assets
2	601390	China Railway Group	33,000	158,400	224,070	178,860	Held-for-trading financial assets
3	601898	China Coal	12,000	201,960	148,080	77,640	Held-for-trading financial assets
4	601186	China Railway Construction Corporation Limited	20,000	181,600	205,800	200,800	Held-for-trading financial assets
Total				<u>1,126,460</u>	<u>1,084,750</u>	<u>813,250</u>	

5. During the reporting period, there were no other significant acquisitions, sales or disposals of assets or mergers and acquisitions undertaken by the Company that took place during the reporting period or took place in previous periods but subsisted until the reporting period; nor did the Company or its subsidiaries repurchase, sell and redeem any listed shares of the Company.

6. CONNECTED TRANSACTIONS

(1) For the period between 1 January and 30 June 2009, all the ongoing connected transactions between the Company and Holding and its subsidiaries conducted in the normal course of business were settled in cash and had no adverse impact on the profit of the Company.

- During the reporting period, the payment made by the Company to Holding in respect of the "Sale and Purchase of Ore Agreement" between 2007 and 2009:

	<i>Unit: RMB'000</i>	
	Amount paid	Proportion of transaction of the same category (%)
Purchase of iron ore	1,265,854	31.01

The price of iron ore per tonne purchased every year by the Company from Holding will be determined from time to time by both parties after negotiation, and shall not be higher than the weighted average ex factory price per tonne charged by the top three independent suppliers supplying the largest amounts of iron ore to the Company in the previous year of the contracting year for the similar type of iron ore supplied to the Company.

- During the reporting period, save for the connected transactions made pursuant to the afore-mentioned Sale and Purchase of Ore Agreement, amounts of other connected transactions in the ordinary course of business with Holding:

	<i>Unit: RMB'000</i>	
	Amount paid	Proportion of transaction of the same category (%)
Steel products and other products purchased by Holding from the Company	1,365	0.18
Water, electricity, telephone and other services acquired by Holding from the Company	11,136	16.95
Payment by the Company for fixed assets and construction services	75,692	6.72
Payment by the Company to Holding for other services	91,514	100

Those transactions, whilst adopting market prices as the pricing basis, were on terms no less favourable to the Company than normal commercial terms.

The independent directors consider that the terms of the above transaction are in compliance with normal commercial requirements. The terms are fair and reasonable, in line with the Company's overall development strategies and are in the interests of the Company and its shareholders as a whole.

- (2) As at 30 June 2009, save for ordinary business transactions and dividends due to Holding, there is no amount due to or from the Company and connected parties.

Liabilities and loans to/from connected parties

Unit: RMB million

Connected party	Funds provided to connected parties		Funds provided by connected parties to the listed company	
	Total amount	Balance amount	Total amount	Balance amount
Magang (Group) Holding Company Limited	–	–	–	1,096
Other connected parties	–	–	–	–
Total	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,096</u>

Including: The total amount and balance amount of funds provided from the Company to the controlling shareholder and its subsidiaries during the reporting period were zero.

- (3) Material contracts with the controlling shareholder

Save for the "Sale and Purchase of Ore Agreement" for 2007-2009 as mentioned above, neither the Company nor any of its subsidiaries has entered into any material contract with the controlling shareholder as at 30 June 2009.

7. CAPITAL UTILISATION

As at 30 June 2009, neither the controlling shareholder nor its subsidiaries utilised the Company's capital for non-operational purposes.


8. There had been no material entrustment, contract or lease made by the Company in relation to any assets of other companies, or vice versa, that took place during the reporting period or took place in previous periods but subsisted until the reporting period. There had been no entrustment with any other parties made by the Company to implement cash assets management on its behalf that took place during the reporting period or took place in previous periods but subsisted until the reporting period.

9. GUARANTEES

(1) Guarantees

Unit: RMB million

External guarantees provided by the Company (excluding guarantees for subsidiaries)						
Guaranteed entity	Date of incurrence (Agreement signing date)	Guarantee Amount	Type of guarantee	Guarantee period	Completed or not	Guarantee for connected parties (Yes or No)
Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Total guarantee amount during the reporting period					0	
Balance of guarantees as at the end of the reporting period (A)					0	
Guarantees provided by the Company for subsidiaries						
Total guarantee amount for subsidiaries during the reporting period					0	
Balance of guarantees for subsidiaries at the end of the reporting period (B)					3,814	
Total guarantee amount provided by the Company (including guarantees for subsidiaries)						
Total guarantee amount (A+B)					3,814	
Total guarantee amount as a percentage of net assets of the Company					15.11%	
Including:						
Guarantee amount provided for shareholders, the de facto controller and connected parties (C)					0	
Guarantee amount provided directly or indirectly for entities with gearing (assets-liabilities) ratio exceeding 70% (D) (Note)					3,800	
Total guarantee amount exceeding 50% of net assets (E)					0	
Total amount of the three guarantees mentioned above (C+D+E)					3,800	



Note: The gearing (assets-liabilities) ratio of Ma Steel International Trade and Economic Corporation, a wholly-owned subsidiary of the Company, exceeded 70%. The Company's guarantees provided to it amounted to RMB3,800 million for banking facilities.

The guarantees provided to Maanshan Iron & Steel (HK) Limited, a wholly-owned subsidiary, amounting to RMB57 million, which amount has not been utilised; and to Anhui Masteel K. Wah New Building Materials Co., Ltd., a controlled subsidiary, amounting to RMB14 million, which amount has been fully utilised.

The afore-mentioned guarantees were all guarantees with joint and several liabilities. All the guarantees were approved by the Board of Directors beforehand. The guarantees for Ma Steel International Trade and Economic Corporation and Maanshan Iron & Steel (HK) Limited were only provided for the specified import items designated by the Company, that were loans needed for the general businesses of importing ores, coke, hot-pressed iron plates, coal, scrap steel, equipment and spare parts; guarantees of credit facilities for businesses regarding the issuing of letters of credit for import, letters of indemnity, financing for bills purchased of import and export, guarantees for taking delivery and bank acceptances; and guarantees for tax payment security deposit regarding imported ores. The guarantees for Anhui Masteel K. Wah New Building Materials Co., Ltd. were only provided for land construction and the purchase of equipment. All the guarantees were not applicable for investments in properties, stocks, bonds, funds, or external investments, provision of guarantees for external parties, provisions of loans to external parties, or grants to external parties.

(2) Opinions of the independent directors

In accordance with the relevant requirements of the CSRC, Mr. Wong Chun Wa, Mr. Su Yong, Mr. Hui Leung Wah and Mr. Han Yi, all are independent directors of the Company, conducted conscientious audit on the Company's external guarantees accumulated up to the first half of 2009 as well as for the period, which are stated as follows:

The Company's balance of accumulated external guarantees in the first half of 2009 amounted to RMB3,814 million, representing approximately 15.11% of the Company's net assets in the consolidated accounting statements as at 30 June 2009, down 5.96 percentage-points year-on-year. During the reporting period, no new external guarantees were incurred by the Company and the balance of external guarantees saw a decrease of RMB1,200 million year-on-year.

The independent directors issued opinions as follows:

The Company's balance of accumulated external guarantees in the first half of 2009 recorded a decrease of approximately 23.93% over the same period of the previous year. The Company shall continue to strengthen management and proactively monitor guarantee risks.

10. UNDERTAKINGS BY THE COMPANY OR SHAREHOLDERS WITH A SHAREHOLDING OF MORE THAN 5% (INCLUDING 5%)

- (1) During the reporting period, Holding, the controlling shareholder of the Company, completely abided by its undertakings made in the process of 2006 State Share Reform. For details of its undertakings, please refer to the 2006 Interim Report, 2006 Annual Report, 2007 Interim Report, 2007 Annual Report and 2008 Annual Report.
- (2) Holding acquired 13,760,000 A shares of the Company for the first time via the trading system of the SSE on 12 September 2008, representing 0.2% of the then issued share capital of the Company. Meanwhile, Holding undertook that: It would continue to acquire A shares of the Company via the trading system of the SSE within 12 months from the date of publishing of the announcement of increase in holding of shares (i.e. 12 September 2008). The accumulated acquisition ratio would not exceed 2% of the total share capital of the Company (i.e. the then issued share capital of the Company) (including the shares acquired that time) and that it would not sell the shares of the Company it held during the implementation of the continuous acquisition plan and during the statutory period.

As at 30 June 2009, Holding acquired a total 55,863,927 A shares of the Company, representing 0.73% of the issued share capital of the Company during the first acquisition. Such number of shares did not exceed 2% of the issued share capital of the Company during the first acquisition. Nor did Holding sell the shares of the Company it held. It completely carried out these undertakings.

Save for the afore-mentioned undertakings, there were no undertakings which may incur significant impact on the Company's operating results and financial position made during, or already made but extending into, the reporting period, by the Company or shareholders holding 5% or more of the Company's shares, and no extension of shares lock-up undertakings was reported.

11. The Company re-appointed Ernst & Young Hua Ming and Ernst & Young respectively as the PRC and international auditors of the Company.
12. During the reporting period, none of the Company and its directors, supervisors, senior management, Company shareholder, actual controller, acquirer were investigated by authorities, imposed with mandatory measures by disciplinary authorities, handed over to the judiciary or charged with criminal liabilities, investigated by the CSRC, subjected to administrative punishment, prohibited from securities market, published reprimand or deemed an inappropriate person by the CSRC, punished by other administrative authorities, or publicly reprimanded by securities exchanges. The CSRC and its delegated institutions had not inspected or made corrective suggestions to the Company either.

13. THE LIST OF THE COMPANY'S AD HOC ANNOUNCEMENTS DURING THE REPORTING PERIOD

No.	Announcement title	Newspaper and page number	Date of announcement
1	Announcement on Resolutions of the Board of Directors of Maanshan Iron & Steel Company Limited	Page C61, Shanghai Securities News	22 January 2009
2	Estimated Results of Maanshan Iron & Steel Company Limited	Page C38, Shanghai Securities News	27 February 2009
3	Announcement on Resolutions of the Board of Directors of Maanshan Iron & Steel Company Limited	Page C53, Shanghai Securities News	16 April 2009
4	Announcement on Resolutions of the Fourth Meeting of the Sixth Session of the Supervisory Committee of Maanshan Iron & Steel Company Limited	Page C53, Shanghai Securities News	16 April 2009
5	The Special Report on Depositing and Actual Utilisation of Fundraising Proceeds of Maanshan Iron & Steel Company Limited	Page C53, Shanghai Securities News	16 April 2009
6	Announcement on Resolutions of the Board of Directors of Maanshan Iron & Steel Company Limited	Page C92, Shanghai Securities News	29 April 2009
7	Announcement on Resolutions of the Fifth Meeting of the Sixth Session of the Supervisory Committee of Maanshan Iron & Steel Company Limited	Page C92, Shanghai Securities News	29 April 2009
8	Announcement on the Continued Provision of Guarantees by Maanshan Iron & Steel Company Limited to Ma Steel International Trade and Economics Corporation, Its Wholly-owned Subsidiary	Page C92, Shanghai Securities News	29 April 2009
9	Notice of 2008 Annual General Meeting of Maanshan Iron & Steel Company Limited	Page C92, Shanghai Securities News	29 April 2009
10	Announcement on Relocation of Maanshan Iron & Steel Company Limited	Page C27, Shanghai Securities News	5 June 2009
11	Announcement on Resolutions Passed at the 2008 Annual General Meeting of Maanshan Iron & Steel Company Limited	Page B2, Shanghai Securities News	17 June 2009

The above announcements are all published on the websites of the SSE (<http://www.sse.com.cn>) and The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>).

Consolidated Balance Sheet

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

ASSETS	Note V	30 June 2009 Unaudited	31 December 2008 Audited
CURRENT ASSETS:			
Cash and bank balances	1	11,747,099,874	5,951,087,213
Financial assets held for trading		1,084,750	813,250
Bills receivable	2	3,078,777,983	1,267,254,719
Trade receivables	3	940,175,622	626,727,102
Prepayments		860,502,838	1,107,261,236
Other receivables	4	172,615,036	436,494,366
Inventories	5	8,393,224,330	9,848,058,341
Non-current assets due within one year		2,938,870	2,938,870
Total current assets		25,196,419,303	19,240,635,097
NON-CURRENT ASSETS:			
Long term equity investments		991,027,352	909,160,061
Investment properties		1,171,397	1,205,850
Fixed assets	6	39,432,742,847	40,769,495,822
Construction materials		539,616,613	476,672,223
Construction in progress	7	2,500,441,891	2,277,918,588
Intangible assets		1,867,180,478	1,850,539,277
Deferred tax assets		623,197,500	618,928,724
Total non-current assets		45,955,378,078	46,903,920,545
TOTAL ASSETS		71,151,797,381	66,144,555,642

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Consolidated Balance Sheet (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	30 June 2009 Unaudited	31 December 2008 Audited
CURRENT LIABILITIES:			
Short term loans		1,751,762,173	1,154,000,000
Bills payable	9	7,057,239,833	1,049,125,831
Accounts payable		6,470,429,856	7,525,140,482
Deposits received		5,295,088,537	5,615,976,320
Payroll and benefits payable		220,077,041	197,384,329
Taxes payable	10	(57,645,716)	666,749,301
Interests payable		22,294,291	44,099,563
Dividends payable	11	1,101,575,013	1,101,575,013
Other payables		766,916,328	802,838,050
Non-current liabilities due within one year		521,275,639	223,579,337
Total current liabilities		<u>23,149,012,995</u>	<u>18,380,468,226</u>
NON-CURRENT LIABILITIES:			
Long term loans		16,526,856,385	15,666,296,218
Bonds payable	12	5,068,712,088	4,992,975,444
Deferred income		559,441,726	563,549,396
Deferred tax liabilities		–	6,678,903
Other non-current liabilities		7,485,033	7,485,033
Total non-current liabilities		<u>22,162,495,232</u>	<u>21,236,984,994</u>
Total liabilities		<u>45,311,508,227</u>	<u>39,617,453,220</u>

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Consolidated Balance Sheet (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	30 June 2009 Unaudited	31 December 2008 Audited
SHAREHOLDERS' EQUITY:			
Share capital	13	7,700,681,186	7,700,681,186
Capital reserve		8,338,358,399	8,338,358,399
Surplus reserves		3,008,523,500	3,008,523,500
Retained profits		6,211,774,575	7,007,195,285
Exchange fluctuation reserve		(14,070,163)	(47,775,207)
Equity attributable to equity holders of the parent		25,245,267,497	26,006,983,163
Minority interests		595,021,657	520,119,259
Total shareholders' equity		25,840,289,154	26,527,102,422
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		71,151,797,381	66,144,555,642

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

The financial statements from page 28 to page 88 are signed by persons below

Company Representative:
Gu Jianguo
18 August 2009

Chief Accountant:
Su Jianguo
18 August 2009

Head of Accounting Department:
Zhang Qianchun
18 August 2009

Consolidated Income Statement

(Prepared under China Accounting Standards)

For the six months ended 30 June 2009

Renminbi Yuan

	Note V	For the six months ended 30 June	
		2009 Unaudited	2008 Unaudited
Revenue	14	23,423,756,972	37,724,831,378
Less: Cost of sales		23,164,022,588	32,837,813,561
Taxes and surcharges		71,549,258	435,903,573
Selling expenses		115,891,502	171,013,705
Administrative expenses		450,856,769	507,235,769
Financial expenses	15	509,930,351	772,907,568
Assets impairment losses	16	12,241,344	–
Add: Gain/(loss) on fair value changes		271,500	(772,870)
Investment income	17	82,229,365	126,768,138
including: share of profits of associates and jointly controlled entities		74,167,291	126,574,628
Operating profit/(loss)		(818,233,975)	3,125,952,470
Add: Non-operating income		86,628,393	34,309,792
Less: Non-operating expenses		1,358,628	6,752,254
including: net (gain)/loss on disposal of non-current assets		(2,514,845)	575,278
Profit/(loss) before tax		(732,964,210)	3,153,510,008
Less: Income tax	18	7,733,268	839,996,397
Net profit/(loss)		(740,697,478)	2,313,513,611
including: Net profit from the entity being combined prior to the business combination involving entities under common control		–	9,846,023
Attributable to:			
Equity holders of the parent		(795,420,710)	2,243,425,260
Minority interests		54,723,232	70,088,351
EARNINGS PER SHARE:			
Basic	19	(10.33) cents	33.19 cents
Diluted		N/A	30.63 cents
Other comprehensive income	20	33,705,044	6,937,028
Total comprehensive income/(loss)		(706,992,434)	2,320,450,639
Attributable to:			
Equity holders of the parent		(761,715,666)	2,250,362,288
Minority interests		54,723,232	70,088,351

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Consolidated Statement of Changes in Equity

(Prepared under China Accounting Standards)

For the six months ended 30 June 2009

Renminbi Yuan

30 June 2009

	Attributable to equity holders of the parent						Minority interests	Total shareholders' equity
	Share capital (Note V.13)	Capital reserve	Surplus reserves	Retained profits	Exchange fluctuation reserve	Sub-total		
1. At 1 January 2009	7,700,681,186	8,338,358,399	3,008,523,500	7,007,195,285	(47,775,207)	26,006,983,163	520,119,259	26,527,102,422
2. Increase/(decrease) during the period								
1) Net profit/(loss)	-	-	-	(795,420,710)	-	(795,420,710)	54,723,232	(740,697,478)
2) Other comprehensive income	-	-	-	-	33,705,044	33,705,044	-	33,705,044
Total comprehensive income/(loss)	-	-	-	(795,420,710)	33,705,044	(761,715,666)	54,723,232	(706,992,434)
3) Equity transactions with shareholders except of profits appropriation								
1. Changes of paid-in capital in subsidiaries	-	-	-	-	-	-	30,152,736	30,152,736
4) Profits appropriation								
1. Dividend declared	-	-	-	-	-	-	(9,973,570)	(9,973,570)
5) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
3. At 30 June 2009	<u>7,700,681,186</u>	<u>8,338,358,399</u>	<u>3,008,523,500</u>	<u>6,211,774,575</u>	<u>(14,070,163)</u>	<u>25,245,267,497</u>	<u>595,021,657</u>	<u>25,840,289,154</u>

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Consolidated Statement of Changes in Equity (Continued)

(Prepared under China Accounting Standards)
For the six months ended 30 June 2009
Renminbi Yuan

30 June 2008

	Attributable to equity holders of the parent						Minority interests	Total shareholders' equity
	Share capital (Note V.13)	Capital reserve	Surplus reserves	Retained profits	Exchange fluctuation reserve	Sub-total		
1. At 31 December 2007	6,758,551,716	6,056,692,904	2,901,562,765	7,282,533,393	9,629,706	23,008,970,484	446,514,689	23,455,485,173
Adjustment on business combination involving entities under common control	-	8,293,083	-	-	-	8,293,083	-	8,293,083
At 1 January 2008	6,758,551,716	6,064,985,987	2,901,562,765	7,282,533,393	9,629,706	23,017,263,567	446,514,689	23,463,778,256
2. Increase/(decrease) during the period								
1) Net profit	-	-	-	2,243,425,260	-	2,243,425,260	70,088,351	2,313,513,611
2) Other comprehensive income	-	-	-	-	6,937,028	6,937,028	-	6,937,028
Total comprehensive income	-	-	-	2,243,425,260	6,937,028	2,250,362,288	70,088,351	2,320,450,639
3) Equity transactions with shareholders except of profits appropriation								
1. Changes of paid-in capital in subsidiaries	-	-	-	-	-	-	101,194,034	101,194,034
2. Adjustment of deferred tax liability arising from bonds with warrants	-	167,809,603	-	-	-	167,809,603	-	167,809,603
3. Adjustment on business combination involving entities under common control	-	(8,293,083)	-	-	-	(8,293,083)	-	(8,293,083)
4) Profits appropriation								
1. Dividend declared	-	-	-	(878,611,723)	-	(878,611,723)	(48,584,570)	(927,196,293)
5) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
3. At 30 June 2008	<u>6,758,551,716</u>	<u>6,224,502,507</u>	<u>2,901,562,765</u>	<u>8,647,346,930</u>	<u>16,566,734</u>	<u>24,548,530,652</u>	<u>569,212,504</u>	<u>25,117,743,156</u>

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Consolidated Cash Flow Statement

(Prepared under China Accounting Standards)

For the six months ended 30 June 2009

Renminbi Yuan

	Note V	For the six months ended 30 June	
		2009 Unaudited	2008 Unaudited
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		26,178,487,296	48,165,840,192
Refunds of taxes		14,932,173	–
Cash received relating to other operating activities		49,515,878	1,366,906
Sub-total of cash inflows		26,242,935,347	48,167,207,098
Cash paid for goods and services		(16,469,310,439)	(37,009,473,798)
Cash paid to and on behalf of employees		(1,594,024,407)	(1,502,482,763)
Cash paid for all taxes		(1,485,132,290)	(2,872,471,355)
Cash paid relating to other operating activities		(336,292,660)	(244,860,140)
Sub-total of cash outflows		(19,884,759,796)	(41,629,288,056)
Net cash flows from operating activities	21	6,358,175,551	6,537,919,042
2. Cash flows from investing activities:			
Cash received from disposal of investments		–	410,653
Cash received from returns on investments		45,757,418	76,474,733
Net cash received from disposal of fixed assets, intangible assets and other long term assets		8,757,482	7,740,636
Cash received relating to other investing activities		30,490,000	2,600,000
Sub-total of cash inflows		85,004,900	87,226,022
Cash paid for acquisitions of fixed assets, intangible assets and other long term assets		(1,959,496,184)	(1,678,345,236)
Cash paid for investments		(9,500,000)	(690,757)
Cash paid due to increase in pledged deposits, net		(3,847,026,861)	(117,553,927)
Sub-total of cash outflows		(5,816,023,045)	(1,796,589,920)
Net cash flows from investing activities		(5,731,018,145)	(1,709,363,898)

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Consolidated Cash Flow Statement (Continued)

(Prepared under China Accounting Standards)
For the six months ended 30 June 2009
Renminbi Yuan

	Note V	For the six months ended 30 June	
		2009 Unaudited	2008 Unaudited
3. Cash flows from financing activities:			
Cash received from capital contribution including: capital contribution by minority shareholders received		30,152,736	101,194,034
by subsidiaries		30,152,736	101,194,034
Cash received from borrowings		14,758,798,523	7,524,553,579
Sub-total of cash inflows		14,788,951,259	7,625,747,613
Cash repayments of borrowings		(13,050,925,932)	(8,915,294,381)
Cash paid for distribution of dividend or profits and for interest expenses		(440,404,521)	(1,671,517,824)
including: dividend paid to minority shareholders by subsidiaries		(9,973,570)	(45,301,670)
Sub-total of cash outflows		(13,491,330,453)	(10,586,812,205)
Net cash flows from financing activities		1,297,620,806	(2,961,064,592)
4. Effect of foreign exchange rate changes on cash		24,210,708	(15,935,452)
5. Net increase in cash and cash equivalents		1,948,988,920	1,851,555,100
Add: Balance of cash and cash equivalents at beginning of period		5,437,367,246	5,525,455,966
6. Balance of cash and cash equivalents at end of period	22	7,386,356,166	7,377,011,066

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Company Balance Sheet

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

ASSETS	Note XIII	30 June 2009 Unaudited	31 December 2008 Audited
CURRENT ASSETS:			
Cash and bank balances		8,695,260,386	4,368,314,406
Financial assets held for trading		1,084,750	813,250
Bills receivable	1	2,749,474,868	1,180,972,207
Trade receivables	2	1,263,860,703	840,021,187
Prepayments		971,890,046	1,573,542,503
Dividends receivable		17,687,460	–
Other receivables	3	23,055,193	48,206,022
Inventories		7,422,788,123	8,991,015,193
Non-current assets due within one year		2,938,870	2,938,870
Total current assets		<u>21,148,040,399</u>	<u>17,005,823,638</u>
NON-CURRENT ASSETS:			
Long term equity investments		2,122,369,621	2,018,118,616
Investment properties		18,774,680	18,809,133
Fixed assets		37,529,309,740	38,877,703,976
Construction materials		508,908,372	434,169,176
Construction in progress		1,942,901,906	2,138,731,681
Intangible assets		1,254,002,428	1,269,925,611
Deferred tax assets		606,305,275	603,267,351
Total non-current assets		<u>43,982,572,022</u>	<u>45,360,725,544</u>
TOTAL ASSETS		<u><u>65,130,612,421</u></u>	<u><u>62,366,549,182</u></u>

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Company Balance Sheet (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	30 June 2009 Unaudited	31 December 2008 Audited
CURRENT LIABILITIES:		
Short term loans	408,000,000	630,000,000
Bills payable	4,612,247,797	20,000,000
Accounts payable	6,375,923,141	6,917,042,896
Deposits received	4,589,410,435	5,212,997,409
Payroll and benefits payable	123,457,972	136,423,372
Taxes payable	(65,316,745)	650,199,891
Interests payable	22,126,389	43,853,466
Dividends payable	1,101,575,013	1,101,575,013
Other payables	686,254,189	734,772,103
Non-current liabilities due within one year	514,980,556	216,000,000
Total current liabilities	<u>18,368,658,747</u>	<u>15,662,864,150</u>
NON-CURRENT LIABILITIES:		
Long term loans	16,515,504,400	15,654,324,200
Bonds payable	5,068,712,088	4,992,975,444
Deferred income	544,185,726	562,504,397
Other non-current liabilities	7,485,033	7,485,033
Total non-current liabilities	<u>22,135,887,247</u>	<u>21,217,289,074</u>
Total liabilities	<u>40,504,545,994</u>	<u>36,880,153,224</u>
SHAREHOLDERS' EQUITY:		
Share capital	7,700,681,186	7,700,681,186
Capital reserve	8,338,358,399	8,338,358,399
Surplus reserves	2,864,520,805	2,864,520,805
Retained profits	5,722,506,037	6,582,835,568
Total shareholders' equity	<u>24,626,066,427</u>	<u>25,486,395,958</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>65,130,612,421</u></u>	<u><u>62,366,549,182</u></u>

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Company Income Statement

(Prepared under China Accounting Standards)

For the six months ended 30 June 2009

Renminbi Yuan

	Note XIII	For the six months ended 30 June	
		2009 Unaudited	2008 Unaudited
Revenue	5	24,182,476,153	40,879,352,914
Less: Cost of sales		24,201,237,844	36,349,265,853
Taxes and surcharges		58,382,170	417,783,025
Selling expenses		108,302,864	162,120,186
Administrative expenses		360,043,112	381,733,047
Financial expenses		482,605,577	650,798,118
Assets impairment losses	6	12,241,344	–
Add: Gain/(loss) on fair value changes		271,500	(772,870)
Investment income	7	100,080,394	237,981,083
including: share of profits of associates and jointly controlled entities		74,162,290	128,031,350
Operating profit/(loss)		(939,984,864)	3,154,860,898
Add: Non-operating income		77,914,465	33,629,886
Less: Non-operating expenses		1,297,056	4,784,021
including: net gain on disposal of non-current assets		(2,124,795)	(289,400)
Profit/(loss) before tax		(863,367,455)	3,183,706,763
Less: Income tax		(3,037,924)	795,926,691
Net profit/(loss)		(860,329,531)	2,387,780,072
EARNINGS PER SHARE:			
Basic		(11.17) cents	35.33 cents
Diluted		N/A	32.60 cents
Other comprehensive income		–	–
Total comprehensive income/(loss)		(860,329,531)	2,387,780,072

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Company Statement of Changes in Equity

(Prepared under China Accounting Standards)

For the six months ended 30 June 2009

Renminbi Yuan

30 June 2009

	Share capital	Capital reserve	Surplus reserves	Retained profits	Total shareholders' equity
1. At 1 January 2009	7,700,681,186	8,338,358,399	2,864,520,805	6,582,835,568	25,486,395,958
2. Increase/(decrease) during the period					
1) Net loss	-	-	-	(860,329,531)	(860,329,531)
2) Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(860,329,531)	(860,329,531)
3) Equity transactions with shareholders except of profits appropriation	-	-	-	-	-
4) Profits appropriation	-	-	-	-	-
5) Transfers within shareholders' equity	-	-	-	-	-
3. At 30 June 2009	<u>7,700,681,186</u>	<u>8,338,358,399</u>	<u>2,864,520,805</u>	<u>5,722,506,037</u>	<u>24,626,066,427</u>

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Company Statement of Changes in Equity (Continued)

(Prepared under China Accounting Standards)

For the six months ended 30 June 2009

Renminbi Yuan

30 June 2008

	Share capital	Capital reserve	Surplus reserves	Retained profits	Total shareholders' equity
1. At 1 January 2008	6,758,551,716	6,056,692,904	2,777,851,769	6,681,425,969	22,274,522,358
2. Increase/(decrease) during the period					
1) Net profit	-	-	-	2,387,780,072	2,387,780,072
2) Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	2,387,780,072	2,387,780,072
3) Equity transactions with shareholders except of profits appropriation					
1. Adjustment of deferred tax liability arising from bonds with warrants	-	167,809,603	-	-	167,809,603
4) Profits appropriation					
1. Dividend declared	-	-	-	(878,611,723)	(878,611,723)
5) Transfers within shareholders' equity	-	-	-	-	-
3. At 30 June 2008	<u>6,758,551,716</u>	<u>6,224,502,507</u>	<u>2,777,851,769</u>	<u>8,190,594,318</u>	<u>23,951,500,310</u>

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Company Cash Flow Statement

(Prepared under China Accounting Standards)

For the six months ended 30 June 2009

Renminbi Yuan

		For the six months ended 30 June	
	Note XIII	2009 Unaudited	2008 Unaudited
1. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		25,639,373,219	49,153,913,895
Refunds of taxes		14,932,173	–
Cash received relating to other operating activities		41,860,999	397,600
		<u>25,696,166,391</u>	<u>49,154,311,495</u>
Sub-total of cash inflows			
Cash paid for goods and services		(17,656,530,099)	(39,109,685,042)
Cash paid to and on behalf of employees		(1,440,501,741)	(1,342,047,713)
Cash paid for all taxes		(1,353,195,321)	(2,618,667,003)
Cash paid relating to other operating activities		(278,671,663)	(176,938,741)
		<u>(20,728,898,824)</u>	<u>(43,247,338,499)</u>
Sub-total of cash outflows			
Net cash flows from operating activities	8	<u>4,967,267,567</u>	<u>5,906,972,996</u>
2. Cash flows from investing activities:			
Cash received from disposal of investments		–	410,653
Cash received from returns on investments		34,472,536	159,804,554
Net cash received from disposal of fixed assets, intangible assets and other long term assets		5,784,469	8,138,312
Cash received relating to other investing activities		15,610,000	2,600,000
		<u>55,867,005</u>	<u>170,953,519</u>
Sub-total of cash inflows			
Cash paid for acquisitions of fixed assets, intangible assets and other long term assets		(1,150,577,785)	(1,514,165,804)
Cash paid for investments		(31,888,715)	(219,484,637)
Cash paid due to increase in pledged deposits, net		(3,409,950,000)	–
		<u>(4,592,416,500)</u>	<u>(1,733,650,441)</u>
Sub-total of cash outflows			
Net cash flows from investing activities		<u>(4,536,549,495)</u>	<u>(1,562,696,922)</u>

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Company Cash Flow Statement (Continued)

(Prepared under China Accounting Standards)
For the six months ended 30 June 2009
Renminbi Yuan

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
3. Cash flows from financing activities:		
Cash received from borrowings	<u>13,712,036,350</u>	<u>6,191,306,530</u>
Sub-total of cash inflows	<u>13,712,036,350</u>	<u>6,191,306,530</u>
Cash repayments of borrowings	<u>(12,823,347,900)</u>	<u>(7,889,323,000)</u>
Cash paid for distribution of dividend or profits and for interest expenses	<u>(403,657,420)</u>	<u>(1,071,403,256)</u>
Sub-total of cash outflows	<u>(13,227,005,320)</u>	<u>(8,960,726,256)</u>
Net cash flows from financing activities	<u>485,031,030</u>	<u>(2,769,419,726)</u>
4. Effect of foreign exchange rate changes on cash	<u>1,246,878</u>	<u>474,234</u>
5. Net increase in cash and cash equivalents	916,995,980	1,575,330,582
Add: Balance of cash and cash equivalents at beginning of period	<u>4,362,314,406</u>	<u>3,665,369,814</u>
6. Balance of cash and cash equivalents at end of period	<u>5,279,310,386</u>	<u>5,240,700,396</u>

The accompanying notes from page 43 to page 88 form an integral part of the interim financial statements

Notes to Interim Financial Statements

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

I. GENERAL INFORMATION OF THE GROUP

Maanshan Iron & Steel Company Limited (the “Company”), a joint stock limited company incorporated after the reorganisation of a state-owned enterprise known as Maanshan Iron and Steel Company (the “Original Magang”, now named as Magang (Group) Holding Company Limited), was incorporated in Maanshan City, Anhui Province, the People’s Republic of China (the “PRC”) on 1 September 1993. The registration number of the Company’s business licence is Qi Gu Wan Zong Zi No. 340000400002545. The registered address of the Company is located at No. 8 Hong Qi Zhong Road, Maanshan City, Anhui Province, the PRC, and the office address of the Company is located at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC. The Company’s A shares and H shares were issued and listed in Shanghai Stock Exchange and Hong Kong Stock Exchange, respectively. The Company together with its subsidiaries (collectively known as the “Group”) are principally engaged in the manufacture and sale of iron and steel products and related by-products.

The original registered capital of the Company was RMB6,455,300,000, and the number of shares were 6,455,300,000, which included state-owned share with selling restrictions of 3,830,560,000 shares, domestic legal person share of 87,810,000 shares, domestic natural person share of 10,000 shares, ordinary A share of 803,990,000 shares and ordinary H share of 1,732,930,000 shares. The nominal value of each share is RMB1.

During the year 2007 and 2008, among the total number of warrants of 1,265,000,000 attached to the Company’s bonds with warrants of 1,245,381,186 warrants were being exercised by certain holders in exchange for the Company’s ordinary A share. After exercising, the Company’s registered capital became RMB7,700,681,186.

Up to 30 June 2009, the Company had issued 7,700,681,186 shares in total, including state-owned share with selling restrictions of 3,830,560,000 shares, state-owned legal person share of 55,863,927 shares, domestic natural person share of 11,658 shares, ordinary A share of 2,081,315,601 shares and ordinary H share of 1,732,930,000 shares. The nominal value of each share is RMB1. Further details are stated in Note V.13 to the interim financial statements.

The Company’s principal activities include: metallurgy and extended processing of ferrous metals; production and sale of coke, coke chemical products, thermostatic materials and power supply; dock operation, storage, transportation, trading and other iron & steel related business; extended processing of iron and steel products, production and sales of metallic products; steel framework, equipment production and related services; maintenance of vehicles, recycle and processing of discarded vehicles (limited to the internal discarded vehicles); provision of construction and related services; decoration services (activities within qualification certificate); rendering of technological services and consultancy services.

The parent company of the Group is Magang (Group) Holding Company Limited (the “Holding”), which is incorporated in the PRC.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

II. BASIS OF PREPARATION AND STATEMENT OF ADOPTION OF ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

This financial report is prepared in accordance with China Accounting Standards for Business Enterprises (the "CAS") No. 32 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2008, except for the following due to adoption of the Interpretation No.3 to the CAS.

When the cost method is adopted for long term equity investments in before, the investment income that the Group recognised was limited to proportionate distributions from accumulated profits after the date of acquisition. The extra profits or cash dividends gained by the Group should be treated as a recovery of investment cost. After the adoption of the Interpretation No.3 to the CAS on 1 January 2009, the investment income that the Group recognised was based on distributions from accumulated profits either before or after the date of acquisition. However, such profits or cash dividends declared but not yet distributed by the investee that been included in cash consideration when acquired, should not been recognised. The change of the accounting policy has no effect on the results reported in the Group's interim financial statements.

The financial statements are prepared on an ongoing basis.

Statement of adoption of the CAS

The interim financial statements have been prepared in accordance with the CAS, and present truly and completely, the financial position of the Company and the Group as of 30 June 2009, and the results of their operations and their cash flows for the six months ended 30 June 2009.

III. TAX

The principal kinds of taxes and the related rates are as follows:

(1) Value-added tax ("VAT")

The output VAT rate of the domestic sale is 17%. VAT payable is the net difference between output VAT and deductible input VAT.

According to national tax regulation, the Company adopted the "Exempt, Offset, Refund" arrangements for VAT in export sales with the refunds rates of 5% – 13%. A subsidiary of the Company adopted the "Levy first, refund afterwards" arrangements for VAT in its own export sales.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

III. TAX (CONTINUED)

(2) Business tax

Payable based on 3% – 5% of the taxable income.

(3) City construction and maintenance tax

Payable based on 7% of the indirect tax to be paid.

(4) Education surcharge

Payable based on 3% of the indirect tax to be paid.

(5) Local education surcharge

Payable based on 1% of the indirect tax to be paid.

(6) Real estate tax

Payable based on certain percentage of the cost of real estate with legal title in accordance with relevant regulations.

(7) Corporate income tax

According to the New Corporate Income Tax Law became effective on 1 January 2008, the Company and certain of its subsidiaries were subject to corporate income tax rate at 25% on their assessable profit. Certain subsidiaries of the Company were foreign investment enterprises which shall be subject to corporate income tax rate ranged from 18% to 25% an enjoy the “Two years exempted and subsequent three years with 50% reduction” tax holiday policy. Certain subsidiaries of the Company were high technology enterprises which shall be subject to corporate income tax rate at 15%. Other subsidiaries located in elsewhere and Hong Kong have been calculated at the rates of tax prevailing (16.5% to 30%) in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

The State Administration of Taxation (“SAT”) issued a tax circular “Enterprise Income Tax Issues relating to Nine Companies Listed Overseas” (“Circular No. 664”) in June 2007 which requested the relevant local tax authorities to rectify, immediately, the expired concessionary tax policy for the nine listed companies authorised by the State Council to issue shares in Hong Kong in 1993 which, at the time of writing, was still being applied. The notice stated that the difference in corporate income tax (“CIT”) arising from the expired preferential rate and the applicable rate should be settled according to the provisions of “Law on the Administration of Tax Collection”.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

III. TAX (CONTINUED)

(7) Corporate income tax (continued)

The Company is one of the nine listed companies mentioned above and applied the preferential CIT rate of 15% in prior years. Having understood the above, the Company thoroughly communicated with the relevant tax authority and was informed by the relevant tax authority that the Company applies the CIT tax rate of 33% for 2007. The Company has not been requested to pay the CIT Differences in respect of any prior years.

In response to the notice issued by relevant tax authority and communication with the relevant tax authority, the directors of the Company consider that it is uncertain whether the relevant tax authorities will retrospectively claim additional CIT from the Company and that it is not possible to reliably estimate the eventual outcome of this matter. Consequently, no provision has been made in these financial statements in respect of the CIT differences arising from prior years.

(8) Others

In accordance with tax laws and relevant regulations.

IV. SUBSIDIARIES, JOINTLY-CONTROLLED ENTITY AND ASSOCIATES

Name of investee	Place of incorporation and registration	Registered capital 2009.6.30	Investment cost 2009.6.30	Percentage of equity held%				Percentage of vote right% 2009.6.30	Principal activities	Note
				2009.6.30		2008.12.31				
				RMB Equivalent	directly	indirectly	directly			
Subsidiaries										
Ma Steel International Trade and Economic Corporation ("Ma Steel International Trade Corp.")	Anhui, PRC	RMB50,000,000	50,000,000	100	-	100	-	100	Import of machinery and raw materials and export of steel products	(i)
Design & Research Institute of Maanshan Iron & Steel Company Limited ("Design & Research Institute")	Anhui, PRC	RMB100,000,000	8,500,000	58.96	7.86	58.96	7.86	66.82	Planning and design of metallurgical, construction and environmental protection projects, construction supervision and contract service	(ii)
MG Control Technique Company Limited ("MG Control Technique")	Anhui, PRC	RMB8,000,000	8,000,000	93.75	6.25	93.75	6.25	100	Design of automation systems; purchase, installation and repairs of automation, computers and communication systems	(i)
Anhui Masteel K. Wah New Building Materials Co., Ltd. ("Anhui Masteel K. Wah")	Anhui, PRC	USD4,290,000	24,854,930	70	-	70	-	70	Production, sale and transportation of slag products and provision of related consultation services	(i)

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

IV. SUBSIDIARIES, JOINTLY-CONTROLLED ENTITY AND ASSOCIATES (CONTINUED)

Name of investee	Place of incorporation and registration	Registered capital 2009.6.30	Investment cost 2009.6.30	Percentage of equity held%				Percentage of vote right% 2009.6.30	Principal activities	Note
				2009.6.30		2008.12.31				
				RMB Equivalent	directly	indirectly	directly			
Subsidiaries (continued)										
Ma Steel (Wuhu) Processing and Distribution Co., Ltd. ("Ma Steel (Wuhu)")	Anhui, PRC	RMB35,000,000	10,333,358	70	30	70	30	100	Processing and sale of metallic products; processing of motor vehicle spare parts and sale of construction materials and chemical products (except dangerous products)	(i)
Ma Steel (Cihu) Processing and Distribution Co., Ltd. ("Ma Steel (Cihu)")	Anhui, PRC	RMB30,000,000	27,600,000	-	92	-	92	92	Production, processing and sale of steel plates, steel wires and steel sections; and provision of storage and after-sale services	(i)
Ma Steel (Guangzhou) Processing and Distribution Co., Ltd. ("Ma Steel (Guangzhou)")	Guangdong, PRC	RMB120,000,000	80,000,000	66.67	-	66.67	-	66.67	Production, processing and sale of steel plates, steel wires and steel sections and provision of storage, transportation and after-sale services	(i)
Maanshan Iron & Steel (HK) Limited ("Ma Steel (HK)")	Hong Kong, PRC	HKD4,800,000	5,124,920	80	20	80	20	100	Trading of steel and iron ores, and provision of steel trading agency services and transportation services	(i)
Anhui Masteel Holly Industrial Co., Ltd. ("Holly Industrial")	Anhui, PRC	RMB30,000,000	21,478,316	71	-	71	-	71	Production and sale of packing materials for steel and other products; provision of on-site packing service; research, development, production and sale of vehicle spare parts, electronic engineering products, and macromolecular compound materials; processing and sale of metallic products	(i)
Maanshan Masteel Huayang Equipment Inspection & Engineering Co., Ltd ("Huayang Equipment")	Anhui, PRC	RMB1,000,000	900,000	90	-	90	-	90	Provision of equipment inspection technique consultancy services, equipment services and equipment inspection work	(i)
Ma Steel (Jinhua) Processing and Distribution Co., Ltd. ("Ma Steel (Jinhua)")	Zhejiang, PRC	RMB120,000,000	90,000,000	75	-	75	-	75	Production, processing and sale of steel plates, steel wires and steel sections and provision of storage, transportation and after-sale services	(i)
MG Trading and Development GmbH ("MG Trading")	Germany	EUR153,388	1,573,766	100	-	100	-	100	Trading of equipment, iron and steel products and provision of technology services	(i)
Maanshan Iron & Steel (Australia) Proprietary Limited ("Ma Steel (Australia)")	Australia	AUD21,737,900	126,312,415	100	-	100	-	100	Production and sales of iron ores through an unincorporated joint venture	(i)

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

IV. SUBSIDIARIES, JOINTLY-CONTROLLED ENTITY AND ASSOCIATES (CONTINUED)

Name of investee	Place of incorporation and registration	Registered capital 2009.6.30	Investment cost 2009.6.30	Percentage of equity held%				Percentage of vote right% 2009.6.30	Principal activities	Note
				2009.6.30		2008.12.31				
				RMB Equivalent						
				directly	indirectly	directly	indirectly			
Subsidiaries (continued)										
Ma Steel (Hefei) Iron & Steel Co., Ltd. ("Ma Steel (Hefei)")	Anhui, PRC	RMB500,000,000	355,000,000	71	-	71	-	71	Smelting and processing of ferrous metals and sale of the products and by-products; production and sale of coke, coke chemical products and power supply; processing of iron and steel products and production and sales of metallic products; iron and steel technological services and related businesses; dock operation, storage, transportation, construction services; leasing properties, and provision of construction services and repair and maintenance of used equipments	(i)
Ma Steel (Hefei) Processing and Distribution Co., Ltd. ("MS (Hefei) Processing")	Anhui, PRC	RMB120,000,000	106,800,000	61	28	61	28	89	Processing and sale of hot rolled and cold rolled steel thin plate for vehicles, home appliances and engineering industries, and construction steel framework products; provision of storage and transportation services	(i)
Ma Steel (Yangzhou) Processing and Distribution Co., Ltd. ("MS (Yangzhou) Processing")	Jiangsu, PRC	USD20,000,000	116,462,300	71	-	71	-	71	Production, processing and sale of steel plates, steel wires and steel sections; provision of after-sale and storage services (except of dangerous chemical products)	(i)
Ma Steel (Wuhu) Material Technique Co. Ltd ("Wuhu Technique")	Anhui, PRC	RMB150,000,000	106,500,000	71	-	71	-	71	Provision of storage and transportation services of automobiles related metal components, trading and processing steel products, provision of related consultancy services	(i)
Ma Steel United Electric Steel Roller Co. Ltd ("Ma Steel Roller")	Anhui, PRC	USD30,000,000	75,523,401	51	-	51	-	51	Developing, processing manufacturing and sale of steel roller, provision after-sale services and technical consultancy services	(iii)
Maanshan Used Vehicle Trading Centre Co. Ltd ("Used Vehicle Trading")	Anhui, PRC	RMB500,000	500,000	100	-	100	-	100	Trading of used automobiles, sales of automobiles and accessories, provision of after-sale services and leasing properties	(i)
Anhui Masteel stereoscopic Auto-packing Equipments Company Limited ("Masteel Auto-Parking")	Anhui, PRC	USD2,500,000	20,177,600	-	100	-	100	100	Development, production, and sales of vehicle automatic transmission product and related spare parts; provision of related design technique, equipment production and transportation services	(i)

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

IV. SUBSIDIARIES, JOINTLY-CONTROLLED ENTITY AND ASSOCIATES (CONTINUED)

Name of investee	Place of incorporation and registration	Registered capital 2009.6.30	Investment cost 2009.6.30	Percentage of equity held%				Percentage of vote right% 2009.6.30	Principal activities	Note
				2009.6.30		2008.12.31				
				directly	indirectly	directly	indirectly			
			RMB Equivalent							
Associates										
Jiyuan Shi JinMa Coke Co., Ltd ("Jiyuan JinMa Coke")	Henan, PRC	RMB222,220,000	80,000,000	36	-	36	-	36	Production and sale of coke, tar, benzene and coal gas	
Tengzhou Shenglong Coke Co., Ltd ("Tengzhou Shenglong Coke")	Shandong, PRC	RMB208,800,000	66,776,000	32	-	32	-	32	Production and sale of coke, tar, coal gas and coke chemical products; provision of logistics services	
Shanghai Iron and Steel Electronic Deal Center Co., Ltd ("Shanghai Iron and Steel Electronic")	Shanghai, PRC	RMB20,000,000	4,000,000	20	-	20	-	20	Set-up of iron & steel e-commerce and related services; provision of iron & steel e-commerce technology and information services	
Maanshan Harbor Group Co., Ltd ("Maanshan Harbor")	Anhui, PRC	RMB250,000,000	112,500,000	45	-	45	-	45	Loading/unloading, cargo forwarding agency service, storage, transmitting of cargo and division or merge of cargo in containers; provision of general services to ships, repairing and manufacturing of spare parts	
Anhui All-monitor Automobile Transmission System Co., Ltd ("All-monitor Transmission System")	Anhui, PRC	RMB50,000,000	22,500,000	-	45	-	45	45	Development, production, and sales of vehicle automatic transmission product and related spare parts; provision of related design technique, equipment production and transportation services	(iv)
Jointly-controlled entity ("JCEs")										
Ma' anshan BOC-Ma Steel Gases Company Limited ("BOC-Ma Steel")	Anhui, PRC	RMB468,000,000	234,000,000	50	-	50	-	50	Manufacture and sale of air products (hydrogen, oxygen, argon and other gases) in gas and liquid states and other industrial gases; provision of products related sales and supply work and technical services and other related services	
MASTEEL-CMI International Training Center Co.,Ltd ("Masteel-CMI")	Anhui, PRC	RMB1,000,000	500,000	50	-	50	-	50	Provision of training services on operation, repair and maintenance of cold rolling production lines to CMI customers	(v)

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

IV. SUBSIDIARIES, JOINTLY-CONTROLLED ENTITY AND ASSOCIATES (CONTINUED)

Note:

- (i) These companies are the subsidiaries of the Group. The voting power owned is consistent with the percentage of equity held by the Group. These subsidiaries are included in consolidation, and both their financial positions and operating results are reflected in the consolidated financial statements. During the reporting period, the Group's initial investment cost remained unchanged.
- (ii) During the reporting period, the registered capital of Design & Research Institute was increased from RMB80,000,000 to RMB100,000,000 by converting retained profits of RMB20,000,000. The change of registered capital has been examined by Anhui XingYong CPA Firm (安徽興永會計師事務所), which stated that the percentage of equity held by the Company remained the same.
- (iii) During the reporting period, the 3rd installment of registered capital was paid up by the Company of US\$4,590,000 (equalled to RMB31,388,715), and together with the other venturer, United Electric Steel (HK) Co. Ltd (聯合電鋼(香港)有限公司), in accordance with the Venturer's Agreement and the Articles of Association. The paid up capital contributed by the venturers has been examined by Anhui YongDaXin CPA Firm (安徽永達信會計師事務所) till 30 June 2009.
- (iv) During the reporting period, the 3rd installment of registered capital was paid up by Holly Industrial of RMB9,000,000. The paid up capital contributed by the venturers has been examined by Anhui YongDaXin CPA Firm (安徽永達信會計師事務所) till 30 June 2009.
- (v) During the reporting period, the Company and Belgium CMI signed a joint venture agreement to establish Masteel-CMI. RMB500,000 was paid by the Company as registered capital, which has been examined by Anhui YongDaXin CPA Firm (安徽永達信會計師事務所) till 30 June 2009.

The extent of consolidation is consistent with that used in the annual financial statement of previous year.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	30 June 2009			31 December 2008		
	Original currency	Exchange rate	RMB equivalents Unaudited	Original currency	Exchange rate	RMB equivalents Audited
Cash on hand						
– RMB	-	-	261,471	-	-	277,947
Balances with financial institutions						
– RMB	-	-	7,096,899,328	-	-	4,587,054,180
– HKD	340,088	0.8815	299,772	418,017	0.8819	368,626
– USD	14,659,935	6.8319	100,378,111	103,604,980	6.8346	708,333,348
– EUR	2,750,276	9.6408	26,515,293	3,381,665	9.6590	32,663,503
– JPY	-	-	-	102,119	0.0757	7,725
– AUD	29,228,555	5.5426	162,002,191	23,053,340	4.7135	108,661,917
			<u>7,386,094,695</u>			<u>5,437,089,299</u>
Others						
– RMB	-	-	937,918,008	-	-	506,841,147
– USD	501,000,000	6.8319	3,422,825,700	1,000,000	6.8346	6,878,820
			<u>4,360,743,708</u>			<u>513,719,967</u>
Total			<u>11,747,099,874</u>			<u>5,951,087,213</u>

As at 30 June 2009, the Group's cash and bank balances amounting to RMB4,360,743,708 have been pledged to banks as securities for issue of bank acceptance bills and some bank loans (31 December 2008: RMB513,719,967).

As at 30 June 2009, the Group has cash and bank balances amounting to RMB228,556,672 have been deposited outside the PRC.

Cash deposited in current account earns interest at floating interest rate. Terms of short term time deposits take from 3 months to one year, which is depended on cash flow demand of the Group. Such deposits earn interest at the respective bank deposit rates.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Bills receivable

	30 June 2009 Unaudited	31 December 2008 Audited
Bank acceptance bills	3,070,674,135	1,257,132,110
Commercial acceptance bills	8,103,848	10,122,609
Total	<u>3,078,777,983</u>	<u>1,267,254,719</u>

At 30 June 2009, certain of the Group's short-term loans were acquired from bills receivables discounted amounted to RMB135,940,000 (31 December 2008: RMB264,000,000).

As at 30 June 2009 and 31 December 2008, the balance of bills receivable did not contain any amount due from shareholders who hold 5% or above of the Company's equity interests or other related parties.

3. Trade receivables

The Group's credit terms are usually 30 to 90 days. And trade receivables are interest free.

The ageing of trade receivables is analysed below:

	30 June 2009 Unaudited	31 December 2008 Audited
Within one year	923,304,100	599,627,729
One to two years	12,149,160	26,435,972
Two to three years	6,141,461	2,534,476
Over three years	18,534,392	17,944,416
	960,129,113	646,542,593
Less: Provisions for bad debts	19,953,491	19,815,491
Total	<u>940,175,622</u>	<u>626,727,102</u>

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivables (continued)

Trade receivables balance is analysed as follows:

	30 June 2009 Unaudited				31 December 2008 Audited			
	Balance	Ratio	Provision for bad debts	Ratio	Balance	Ratio	Provision for bad debts	Ratio
Individually significant	854,614,013	89%	(14,184,569)	2%	568,063,437	88%	(14,858,489)	3%
Other insignificant	105,515,100	11%	(5,768,922)	5%	78,479,156	12%	(4,957,002)	6%
Total	<u>960,129,113</u>	<u>100%</u>	<u>(19,953,491)</u>		<u>646,542,593</u>	<u>100%</u>	<u>(19,815,491)</u>	

An analysis of the amount of bad debts provisions written off in the current reporting period:

Reason	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Bankrupt or liquidated debtors	—	—
Debtors with age over 3 years and demonstrated by sufficient evidence that they were irrecoverable	—	—
Less: Amount received after written off	<u>138,000</u>	<u>603,920</u>
Total:	<u>(138,000)</u>	<u>(603,920)</u>

As at 30 June 2009 and 31 December 2008, the balance of trade receivables did not contain any amount due from either shareholders who hold 5% or above of the Company's equity interests or other related parties. Further details of the balance due from related parties are stated in Note VII.5 to the interim financial statements.

The movement of bad debts provisions for trade receivables for the six months ended 30 June 2009 is disclosed in Note 8.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other receivables

The ageing of other receivables is analysed below:

	30 June 2009 Unaudited	31 December 2008 Audited
Within one year	169,976,252	422,659,984
One to two years	2,493,126	13,964,450
Two to three years	599,803	407,034
Over three years	6,616,352	6,533,395
	179,685,533	443,564,863
Less: Provisions for bad debts	7,070,497	7,070,497
Total	172,615,036	436,494,366

Other receivables balance is analysed as follows:

	30 June 2009 Unaudited				31 December 2008 Audited			
	Balance	Ratio	Provision for bad debts	Ratio	Balance	Ratio	Provision for bad debts	Ratio
Individually significant	166,057,419	92%	(2,400,000)	1%	396,727,329	89%	(2,400,000)	1%
Other insignificant	13,628,114	8%	(4,670,497)	34%	46,837,534	11%	(4,670,497)	10%
Total	179,685,533	100%	(7,070,497)		443,564,863	100%	(7,070,497)	

As at 30 June 2009 and 30 June 2008, the balance of other receivables did not contain any amount due from bad debts provisions written off in the current reporting period.

As at 30 June 2009 and 31 December 2008, the balance of other receivables did not contain any amount due from either shareholders who hold 5% or above of the Company's equity interests or other related parties.

The movement of bad debts provisions for other receivables for the six months ended 30 June 2009 is disclosed in Note 8.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Inventories

	30 June 2009 Unaudited	31 December 2008 Audited
Raw materials	4,168,420,295	6,704,118,978
Spare parts	1,892,560,120	2,549,839,462
Work in progress	1,253,939,033	999,629,025
Finished goods	982,087,723	1,244,809,706
Construction contract	145,750,436	145,555,456
	8,442,757,607	11,643,952,627
Less: Provisions for inventories	49,533,277	1,795,894,286
Total	8,393,224,330	9,848,058,341

As at 30 June 2009, the inventories with carrying amount of RMB466,951,504 (31 December 2008: RMB329,306,462) were restricted to use for the Group's trading facilities for the issuance of bank bills.

The movement of impairment provision against inventories for the six months ended 30 June 2009 is disclosed in Note 8.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Fixed assets

30 June 2009

	Buildings and structures Unaudited	Plant, machinery and equipment Unaudited	Transportation vehicles and equipment Unaudited	Total Unaudited
Cost:				
At 1 January 2009	20,263,272,551	39,137,340,152	428,963,337	59,829,576,040
Additions	376,852	5,821,616	949,491	7,147,959
Transferred from constructions in progress (Note 7)	173,248,542	866,320,653	9,707,232	1,049,276,427
Reclassifications	(22,057,489)	22,057,489	-	-
Disposal	(2,963,215)	(30,874,148)	(5,369,760)	(39,207,123)
At 30 June 2009	<u>20,411,877,241</u>	<u>40,000,665,762</u>	<u>434,250,300</u>	<u>60,846,793,303</u>
Accumulated depreciation:				
At 1 January 2009	5,231,060,132	13,429,330,873	309,013,569	18,969,404,574
Provided during the period	580,824,338	1,784,646,642	23,282,274	2,388,753,254
Reclassifications	(303,858)	303,858	-	-
Disposal	(1,548,036)	(29,867,750)	(3,367,230)	(34,783,016)
At 30 June 2009	<u>5,810,032,576</u>	<u>15,184,413,623</u>	<u>328,928,613</u>	<u>21,323,374,812</u>
Impairment:				
At 1 January 2009 and 30 June 2009	<u>5,252,400</u>	<u>85,423,244</u>	-	<u>90,675,644</u>
Net carrying amount:				
At 30 June 2009	<u>14,596,592,265</u>	<u>24,730,828,895</u>	<u>105,321,687</u>	<u>39,432,742,847</u>
At 1 January 2009	<u>15,026,960,019</u>	<u>25,622,586,035</u>	<u>119,949,768</u>	<u>40,769,495,822</u>

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Fixed assets (continued)

30 June 2008

	Buildings and structures Unaudited	Plant, machinery and equipment Unaudited	Transportation vehicles and equipment Unaudited	Total Unaudited
Cost:				
At 1 January 2008	18,694,226,788	36,843,272,020	425,513,996	55,963,012,804
Additions	19,302,963	68,369,169	3,907,092	91,579,224
Transferred from constructions in progress (Note 7)	677,885,293	1,236,419,349	11,513,316	1,925,817,958
Reclassifications	103,097,396	(99,507,105)	(3,590,291)	-
Disposal	(46,703)	(3,942,433)	(6,339,088)	(10,328,224)
At 30 June 2008	<u>19,494,465,737</u>	<u>38,044,611,000</u>	<u>431,005,025</u>	<u>57,970,081,762</u>
Accumulated depreciation:				
At 1 January 2008	4,112,003,551	10,150,581,840	281,524,655	14,544,110,046
Provided during the period	532,097,094	1,695,118,274	25,687,361	2,252,902,729
Reclassifications	18,087,909	(17,261,964)	(825,945)	-
Disposal	(10,823)	(3,284,960)	(5,471,047)	(8,766,830)
At 30 June 2008	<u>4,662,177,731</u>	<u>11,825,153,190</u>	<u>300,915,024</u>	<u>16,788,245,945</u>
Impairment:				
At 1 January 2008 and 30 June 2008	<u>5,252,400</u>	<u>85,423,244</u>	-	<u>90,675,644</u>
Net carrying amount:				
At 30 June 2008	<u>14,827,035,606</u>	<u>26,134,034,566</u>	<u>130,090,001</u>	<u>41,091,160,173</u>
At 1 January 2008	<u>14,576,970,837</u>	<u>26,607,266,936</u>	<u>143,989,341</u>	<u>41,328,227,114</u>

As at 30 June 2009, certain of the equipments with a net carrying amount of RMB19,875,517 (31 December 2008: RMB21,303,000) were pledged to secure a loan granted by Profit Access Investments Limited.

The movement of impairment provision against fixed assets for the six months ended 30 June 2009 is disclosed in Note 8.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Construction in progress

30 June 2009

Name of projects	Budget cost RMB'000	Opening balance RMB	Additions during the period RMB	Transferred to fixed assets (Note 6) RMB	Closing balance RMB	Source of fund	Percentage of completion %
1. Products Quality Project	3,828,262	174,130,135	8,362,939	(26,117,127)	156,375,947	Internally generated funds	2~100
2. Energy-saving and Environment Protection Project	1,398,926	501,302,328	323,459,994	(400,996,067)	423,766,255	Internally generated funds	3~100
3. Equipment Advancement and other modification projects	26,099,896	1,463,299,218	419,847,127	(520,386,641)	1,362,759,704	Internally generated funds	1~100
4. Other Projects	N/A	139,186,907	520,129,670	(101,776,592)	557,539,985	Internally generated funds	N/A
		2,277,918,588	1,271,799,730	(1,049,276,427)	2,500,441,891		
Less: Impairment		-	-	-	-		
Total		2,277,918,588	1,271,799,730	(1,049,276,427)	2,500,441,891		

30 June 2008

Name of projects	Budget cost RMB'000	Opening balance RMB	Additions during the period RMB	Transferred to fixed assets (Note 6) RMB	Closing balance RMB	Source of fund	Percentage of completion %
1. Products Quality Project	9,830,170	193,731,279	51,665,546	(42,028,351)	203,368,474	Internally generated funds	37-100
2. Energy-saving and Environment Protection Project	1,315,791	387,841,071	205,020,162	(163,752,586)	429,108,647	Internally generated funds	74-100
3. Equipment Advancement and other modification projects <i>Including: borrowing costs capitalised</i>	25,936,149	2,778,742,955	1,050,750,797	(1,685,295,297)	2,144,198,455	Internally generated funds and loans from financial institution	13-100
4. Other Projects	N/A	2,061,270	-	-	2,061,270		
		150,450,349	104,013,989	(34,741,724)	219,722,614	Internally generated funds	N/A
		3,510,765,654	1,411,450,494	(1,925,817,958)	2,996,398,190		
Less: Impairment		-	-	-	-		
Total		3,510,765,654	1,411,450,494	(1,925,817,958)	2,996,398,190		

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Assets impairment provisions

	For the six months ended 30 June 2009					Closing balance Unaudited
	Opening Balance Audited	Increase during the period Unaudited	Decrease during the period			
			Reversal Unaudited	Write-back Unaudited	Write-off Unaudited	
Provisions for bad debts	26,885,988	-	-	-	138,000	27,023,988
Including: Trade receivables	19,815,491	-	-	-	138,000	19,953,491
Other receivables	7,070,497	-	-	-	-	7,070,497
Provisions for inventories	1,795,894,286	12,241,344	-	(1,758,602,353)	-	49,533,277
Including: Raw Materials	1,389,919,171	-	-	(1,378,588,537)	-	11,330,634
Work in Process	143,476,078	-	-	(143,476,078)	-	-
Finished goods	237,995,234	-	-	(236,448,088)	-	1,547,146
Spare parts	24,503,803	12,241,344	-	(89,650)	-	36,655,497
Impairment of fixed assets	90,675,644	-	-	-	-	90,675,644
Including: Buildings and Structures	5,252,400	-	-	-	-	5,252,400
Plant, machinery and equipment	85,423,244	-	-	-	-	85,423,244
Total	1,913,455,918	12,241,344	-	(1,758,602,353)	138,000	167,232,909

	For the six months ended 30 June 2008					Closing balance Unaudited
	Opening Balance Audited	Increase during the period Unaudited	Decrease during the period			
			Reversal Unaudited	Write-back Unaudited	Write-off Unaudited	
Provisions for bad debts	25,521,642	-	-	-	603,920	26,125,562
Including: Trade receivables	18,359,996	-	-	-	603,920	18,963,916
Other receivables	7,161,646	-	-	-	-	7,161,646
Provisions for inventories	132,103,392	-	-	(9,795,364)	-	122,308,028
Including: Finished goods	9,795,364	-	-	(9,795,364)	-	-
Spare parts	122,308,028	-	-	-	-	122,308,028
Impairment of fixed assets	90,675,644	-	-	-	-	90,675,644
Including: Buildings and structures	5,252,400	-	-	-	-	5,252,400
Plant, machinery and equipment	85,423,244	-	-	-	-	85,423,244
Total	248,300,678	-	-	(9,795,364)	603,920	239,109,234

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Bills payable

	30 June 2009 Unaudited	31 December 2008 Audited
Bank acceptance bills	2,636,392,036	1,049,125,831
Commercial acceptance bills	4,420,847,797	–
Total	<u>7,057,239,833</u>	<u>1,049,125,831</u>

10. Taxes payable

	30 June 2009 Unaudited	31 December 2008 Audited
VAT	45,100,943	747,769,536
Corporate income tax	(123,383,395)	(145,701,795)
City construction and maintenance tax	11,302,759	45,956,655
Other taxes	9,333,977	18,724,905
Total	<u>(57,645,716)</u>	<u>666,749,301</u>

The basis of calculations and the applicable tax rates are disclosed in Note III to the interim financial statements.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Dividends payable

	30 June 2009 Unaudited	Reason	31 December 2008 Audited
The Holding	1,095,945,600	Unpaid	1,095,945,600
Other shareholders	5,629,413	Unpaid	5,629,413
Total	<u>1,101,575,013</u>		<u>1,101,575,013</u>

The 2008 profit appropriation plan of the Company has been approved at 2008 annual general meeting held at 16 June 2009.

As at 30 June 2009 and 31 December 2008, the amount due to either shareholders who hold 5% or above of the Company's equity interests or other related parties among the balance of dividends payable are stated in Note VII.5 to the interim financial statements.

12. Bonds payable

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Opening balance	4,992,975,444	4,828,761,588
Interest expense	124,717,200	120,606,928
Less: Portion classified as current liability	<u>48,980,556</u>	<u>49,194,444</u>
Closing balance	<u>5,068,712,088</u>	<u>4,900,174,072</u>

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Bonds payable (continued)

On 13 November 2006, the Company issued 55,000,000 bonds with warrants with a nominal value of RMB100 each, amounting to RMB5.5 billion in total. The bonds and warrants are listed on the Shanghai Stock Exchange. The bonds with warrants are guaranteed by Holding and have a 5-year life from the date of issuance, and will be fully repaid in November 2011. The subscribers of each bond have been entitled to receive 23 warrants at nil consideration, and in aggregate, 1,265,000,000 warrants have been issued. Every warrant can be converted into one A share. The warrants have a life of 24 months from the date of listing. The holders of the warrants are entitled to exercise the warrants 10 trading days prior to the 12-month and 24-month of the listing of the warrants. The original conversion price is RMB3.40 each. Since dividends declared on 13 July 2007 and 10 July 2008, the conversion price has been deducted to RMB3.33 and RMB3.26 each.

The first exercise period of the warrants took place on 15 November 2007 to 28 November 2007. A total of 303,251,716 warrants were exercised by certain holders in exchange for the Company's A share at a conversion price of RMB3.33. The second exercise period of the warrants took place on 17 November 2008 to 28 November 2008. A total of 942,129,470 warrants were exercised by certain holders in exchange for the Company's A share at a conversion price of RMB3.26. Since then, the exercise of these warrants was entirely completed.

The bonds with warrants are interest-bearing at a rate of 1.4% per annum payable of RMB 77 million in arrears on 12 November each year. When the bonds with warrants were issued, the prevailing market interest rate for similar bonds without the attached purchase warrants was higher than the interest rate at which the bonds were issued.

The fair value of the liability component was estimated at the issue date using an equivalent market interest rate for a similar bond without the attached purchase warrants.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Share capital

Up to 30 June 2009, the Company had issued and fully paid share capital amounting to RMB7,700,681,186, with each share having a face value of RMB1. The types and structure of share capital are as follows:

	At 1 January 2009		Increase/ (decrease) during the period Unaudited	At 30 June 2009	
	Audited shares	Percentage		Unaudited shares	Percentage
A. Shares with selling restriction					
1. State-owned shares	3,830,560,000	49.74%	–	3,830,560,000	49.74%
2. State-owned legal person shares	55,857,927	0.73%	6,000	55,863,927	0.73%
3. Other domestically owned shares	11,658	–	–	11,658	–
Including:					
Shares owned by domestic natural persons	11,658	–	–	11,658	–
Sub-total	3,886,429,585	50.47%	6,000	3,886,435,585	50.47%
B. Shares without selling restriction					
1. Ordinary A shares	2,081,321,601	27.03%	(6,000)	2,081,315,601	27.03%
2. Ordinary H shares	1,732,930,000	22.50%	–	1,732,930,000	22.50%
Sub-total	3,814,251,601	49.53%	(6,000)	3,814,245,601	49.53%
C. Total	7,700,681,186	100.00%	–	7,700,681,186	100.00%

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Revenue and cost of sales

Revenue is stated as follows:

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Principle operating income	22,691,331,897	37,042,229,897
Other operating income	732,425,075	682,601,481
Total revenue	<u>23,423,756,972</u>	<u>37,724,831,378</u>

Principle operating income and principal cost of sales are stated as follows:

	For the six months ended 30 June			
	2009 Unaudited		2008 Unaudited	
	Principle operating income	Principle cost of sales	Principle operating income	Principle cost of sales
Sale of steel products	21,579,876,293	21,422,793,350	35,279,763,055	31,068,524,266
Sale of steel billets	7,058,321	5,319,031	346,531,918	341,095,254
Sale of coke by-products	473,168,718	587,146,397	398,223,723	237,152,016
Others	631,228,565	430,858,996	1,017,711,201	582,840,741
Total	<u>22,691,331,897</u>	<u>22,446,117,774</u>	<u>37,042,229,897</u>	<u>32,229,612,277</u>

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Financial expenses

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Interest expenses	533,266,502	952,515,323
Less: Interest income	35,895,344	37,299,405
Exchange gain or loss, net	(375,898)	(159,199,518)
Others	12,935,091	16,891,168
Total	<u>509,930,351</u>	<u>772,907,568</u>

16. Assets impairment losses

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Provision for bad debts	—	—
Including: Trade receivables	—	—
Other receivables	—	—
Provision for inventories	12,241,344	—
Provision of held-to-maturity investments	—	—
Provision of long term equity investments	—	—
Provision of investment properties	—	—
Provision of fixed assets	—	—
Provision of construction in progress	—	—
Provision of intangible assets	—	—
Total	<u>12,241,344</u>	<u>—</u>

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Investment income

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Long term equity investments income under equity method	74,167,291	126,574,628
Long term equity investments income under cost method	8,056,841	104,000
Other equity investment income	5,233	89,510
Total	<u>82,229,365</u>	<u>126,768,138</u>

18. Income tax

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Current income tax expense	18,680,947	837,833,896
Deferred tax	(10,947,679)	2,162,501
Total	<u>7,733,268</u>	<u>839,996,397</u>

19. Earnings per share

Basic earnings per share shall be calculated by dividing income statement attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the current reporting period. Shares are usually included in the weighted average number of shares from the date of their issue.

For the purpose of calculating diluted earnings per share, an entity shall adjust income statement attributable to ordinary equity holders of the parent entity by: (1) any interest recognised in the period related to dilutive potential ordinary shares; (2) any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares; and (3) the tax effect.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Earnings per share (continued)

For the purpose of calculating diluted earnings per share, the number of ordinary shares shall be (1) the weighted average number of ordinary shares; plus (2) the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

For the purpose of calculating the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares, dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

The calculations of basic and diluted earnings per share amounts are based on:

	For the six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
Profit/(loss) attributable to ordinary equity holders of the parent as used in the basic/diluted earnings per share calculation	(795,420,710)	2,243,425,260
	Number of shares	Number of shares
Shares		
Weighted average number of ordinary shares in issue during the period as used in the basic earnings per share calculation	7,700,681,186	6,758,551,716
Effect of dilution – weighted average number of ordinary shares:		
Warrants attached to bonds	N/A	565,376,678
Weighted average number of ordinary shares in issue after adjustment	N/A	7,323,928,394

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Other comprehensive income

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Exchange fluctuation reserve	33,705,044	6,937,028

21. Cash flows from operating activities

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Net profit/(loss)	(795,420,710)	2,243,425,260
Add: Minority interests	54,723,232	70,088,351
Provision for inventories	12,241,344	–
Depreciation of fixed assets	2,388,753,254	2,252,902,729
Amortisation of investment properties	34,453	34,453
Amortisation of intangible assets	22,526,026	22,428,642
Amortisation of deferred income	(34,597,670)	(32,942,886)
Loss/(gain) on disposal of non-current assets	(2,514,845)	575,278
Financial expenses	496,995,260	667,570,235
Investment income	(82,229,365)	(126,768,137)
Loss/(gain) on fair value changes	(271,500)	772,870
Decrease/(increase) in deferred tax assets	(4,268,776)	2,448,841
Decrease in deferred tax liabilities	(6,678,903)	(286,340)
Decrease/(increase) in inventories	1,442,592,667	(3,566,743,136)
Increase in receivables from operating activities	(2,007,684,829)	(265,590,904)
Increase in payables from operating activities	4,873,975,913	5,270,003,786
Net cash flows from operating activities	6,358,175,551	6,537,919,042

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Cash and cash equivalents

	30 June 2009 Unaudited	31 December 2008 Audited
Cash		
Including: Cash on hand	261,471	277,947
Bank balances available for payment	7,386,094,695	5,437,089,299
Cash and cash equivalents	7,386,356,166	5,437,367,246

23. Business combination under common control

On 4 May 2008, Holly Industrial, a subsidiary of the Company, acquired a 75% of equity interests in Masteel Auto-Parking from Holding at a cash consideration of RMB15,677,600. Masteel Auto-Parking is mainly engaged in manufacture and sale of parking equipment. The business combination, in which both Holly Industrial and Masteel Auto-Parking are ultimately controlled by Holding before and after, and that control is not transitory, is referred to business combination under common control. The assets and liabilities obtained are measured at the carrying amounts as recorded by the entity being combined at the combination date.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Business combination under common control (continued)

The assets and liabilities of Masteel Auto-Parking at the date of combination and 31 December 2007 were set out below:

	<u>Combination Date</u>	<u>31 December 2007</u>
Cash and bank balances	1,579,683	1,579,683
Trade receivables	17,898,637	21,848,559
Prepayments	1,021,788	778,466
Other receivables	563,912	1,100,813
Inventories	10,082,173	3,775,512
Fixed assets	12,655,533	12,869,688
Construction in progress	260,016	120,570
Intangible assets	3,548,059	3,573,403
Short term loans	(20,000,000)	(20,000,000)
Accounts payable	(2,073,731)	(7,058,955)
Deposits received	(4,588,401)	(3,768,445)
Payroll and benefits payable	(143,907)	(26,429)
Taxes payable	23,055	(174,977)
Interests payable	(36,450)	(40,095)
Other payables	113,100	(3,520,349)
	<hr/>	<hr/>
Net assets	20,903,467	11,057,444
Net assets in business combination under common control	15,677,600	<u>8,293,083</u>
	<hr/>	<hr/>
Difference of acquiring the entity under common control	—	—
	<hr/>	<hr/>
Cost of business combination	<u>15,677,600</u>	

The operating results and cash flows of Masteel Auto-Parking for the period from 1 January 2008 to the Combination Date are as follows:

	<u>Period from 1 January 2008 till 4 May 2008</u>
Operating Income	3,686,039
Net profit	9,846,023

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

VI. SEGMENT INFORMATION

For management purposes, the Group is organised as a single business unit focusing on the manufacture and sales of iron and steel products and related by-products, and, therefore, has no separable operating segment.

Revenue from external customers based on the location of customer is analysed as follows:

	For the six months ended	
	30 June	
	2009 Unaudited RMB'000	2008 Unaudited RMB'000
Mainland China	22,416,181	35,108,232
Overseas	275,151	1,933,998
	22,691,332	37,042,230

The geographical location of the Group's non-current assets is analysed as follows:

	30 June		31 December 2008 Audited RMB'000
	2009 Unaudited RMB'000		
Mainland China	45,125,477	46,092,968	
Overseas	103,786	89,107	
	45,229,263	46,182,075	

The Group has not placed reliance on any single external customers, amounting to 10% or more of its revenues.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Recognition criteria of related party

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Parties are considered to be related if one party is:

- 1) the parent of the Company;
- 2) the subsidiaries of the Company;
- 3) the fellow subsidiaries of the Company;
- 4) able to jointly control the Company;
- 5) able to exercise significant influence over the Company;
- 6) jointly-controlled entities of the Group;
- 7) associates of the Group;
- 8) major individual investors of the Company and a close member of his/her family;
- 9) a member of key management personnel of the Company or the parent and a close member of his/her family;
- 10) the entities controlled, jointly controlled or significantly influenced by major individual investors of the Company, key management personnel of the Company or the parent and a close member of his/her family.

The entities without relationships other than being under common control of the nation with the Group are not considered as related parties.

The related party transactions disclosed in the financial statements are those carried out between the Group and the related parties beyond the consolidation scope, not including the transactions carried out within the Group.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Parent company and subsidiary company

Name of parent company	Registered place	Business nature	Share of equity interests	Share of voting rights	Registered capital RMB
Holding	Anhui, PRC	Manufacturing	50.47%	50.47%	6,298,290,000

During the current reporting period, the registered and paid-in capital of the parent remained unchanged.

The details of the subsidiaries of the Group are stated in Note IV to the interim financial statements.

3. Other related parties who carried out transactions with the Group

Name	Relationship with the Company
Masteel (Group)Holding Co., Ltd Tao Chong Mining Company	Controlled by Holding
Masteel (Group)Holding Co., Ltd Zai Jiu Ye Service Branch	Controlled by Holding
Masteel (Group)Holding Co., Ltd Cable TV Center	Controlled by Holding
Masteel (Group)Holding Co., Ltd Communication Technology Service Center	Controlled by Holding
Masteel (Group)Holding Co., Ltd Masteel Newspaper Office	Controlled by Holding
Masteel Group Construction Co., Ltd	Controlled by Holding
Masteel Group Road and Bridge Construction Co., Ltd	Controlled by Holding
Masteel Group Li Sheng Co., Ltd	Controlled by Holding
Masteel Group Industry Development Co., Ltd	Controlled by Holding
Masteel Group Nan Shan Mining Co., Ltd	Controlled by Holding
Masteel Group Gu Shan Mining Co., Ltd	Controlled by Holding
Masteel Group Design and Research Institute Co., Ltd	Controlled by Holding
Masteel Group Kang Tei Land Development Co., Ltd	Controlled by Holding
Masteel Group Kang Tei Property Co., Ltd	Controlled by Holding
Masteel Group Kang Tei Building and Installing Industry Co., Ltd	Controlled by Holding
Masteel Shen Ma Metal Co., Ltd	Controlled by Holding
Anhui BRC & Masteel Weldmesh Co., Ltd	Controlled by Holding
Maanshan Yong Gu Screw Product Co., Ltd	Controlled by Holding
Maanshan Jiang Hua Commodity Concrete Co., Ltd	Controlled by Holding
Masteel Group Steel Scrap Integrated Utilization Co., Ltd	Controlled by Holding
Chaohu Shi Masteel Wu Ding Shan Mining Co., Ltd	Controlled by Holding
Maanshan Shi Fa Metal Industry and Trading CO., Ltd	Controlled by Holding
Masteel Industry Sheng Xing Raw Material Processing Co., Ltd	Controlled by Holding

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

3. Other related parties who carried out transactions with the Group (continued)

<u>Name</u>	<u>Relationship with the Company</u>
Maanshan Bo Li Construction Supervising Co., Ltd	Controlled by Holding
Masteel Group Power and Machinery Installation Co., Ltd	Controlled by Holding
Masteel Group Mapping Co., Ltd	Controlled by Holding
Maanshan Masteel Yan Tu Construction Survey Mining Co., Ltd	Controlled by Holding
Masteel Group Chu Jiang Holiday Tour Co., Ltd	Controlled by Holding
Huang Shan Tai Bai Shan	Controlled by Holding
Anhui Masteel Advanced Technician Institute	Controlled by Holding
Anhui Metal Technology Institute	Controlled by Holding
Anhui Masteel Luo He Mining Co., Ltd	Controlled by Holding
Maanshan Hua Xin Metal Products Co., Ltd	Controlled by Holding
Shenzhen Yue Hai Masteel Industry Co., Ltd	Controlled by Holding
Jiyuan Jin Ma Coke	Associate of the Group
Tengzhou Sheng Long Coke	Associate of the Group
Maanshan Harbor	Associate of the Group
BOC-Ma Steel	Jointly-controlled entity of the Group

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. (1) The following is a summary of the significant transactions carried out between the Group and its related parties during the period:

	Notes	For the six months ended 30 June			
		2009 Unaudited		2008 Unaudited	
		Amount RMB	Similar transaction %	Amount RMB	Similar transaction %
Transactions with Holding and its subsidiaries:					
Purchases of iron ore	(i)	1,265,854,435	31	953,418,284	21
Fees paid for welfare, support services and other services	(ii), (iii)	69,290,601	100	87,718,913	100
Rental expenses	(iii)	20,167,500	100	18,125,000	100
Agency fee paid	(iii)	2,056,270	100	1,258,500	100
Purchases of fixed assets and construction services	(iii)	75,692,003	7	115,777,986	8
Fees received for the supply of utilities, services and other consumable goods	(iii)	11,136,055	17	15,376,415	2
Sale of steel products and related by products	(iii)	1,365,248	-	2,643,466	-
Financial cost	(iv)	430,110	-	1,359,027	-
Business combination under common control	(v)	-	-	15,677,600	100
Transactions with associates of the Group:					
Purchases of coke	(iii)	574,913,729	71	319,436,931	18
Loading expenses	(iii)	63,539,774	47	79,748,772	23
Transactions with JCEs of the Group:					
Rental income	(iii)	625,000	100	625,000	42
Fee received for the supply of electricity	(iii)	129,656,505	70	103,349,388	56
Purchase of gas products	(iii)	237,352,048	100	212,694,906	100

- (i) The terms for the purchases of iron ore from Holding were conducted in accordance with an agreement dated 18 October 2006 entered into between the Company and Holding.
- (ii) The terms for the provision of certain services, including on-the-job training, food and sanitary services, environmental and hygiene services, maintenance of roads and landscaping services were conducted in accordance with a services agreement dated May 2009 entered into between the Company and Holding.
- (iii) These transactions with related parties were conducted on terms mutually agreed between the Company and these companies.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)

30 June 2009

Renminbi Yuan

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. (1) The following is a summary of the significant transactions carried out between the Group and its related parties during the period: *(continued)*

(iv) Certain bank loans of RMB18,000,000 in aggregate (31 December 2008: RMB60,000,000) were lent by Holding through an entrusted loan arrangement with the Industrial and Commercial Bank of China, with the credit term being one year and annual interest rates was 4.779%.

(v) On 4 May 2008, Holly Industrial, a subsidiary of the Company, acquired a 75% of equity interests in Masteel Auto-Parking from Holding. Further details are included in Note V.23 to the interim financial statements.

The above (1) (i) to (iii) transactions were carried out in the normal course of business of the Group.

(2) Holding has guaranteed certain bank loans of the Group and bonds with warrants amounting to RMB9.8 billion (31 December 2008: approximately RMB13.1 billion) as at the balance sheet date at nil consideration.

(3) Other loans totalling RMB5.8 million (31 December 2008: RMB6.4 million) are granted by Profit Access Investments Limited, a minority shareholder of a subsidiary of the Company.

(4) Further details on balances with Holding and its subsidiaries, and the Group's associates are set out in Note VII.5 to the interim financial statement. These balances are unsecured, interest-free and have no fixed terms of repayment.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Receivable from/payable to related parties

	30 June 2009 Unaudited	31 December 2008 Audited
Prepayments:		
Holding and its subsidiaries		
Holding	2,139,413	–
Others entities controlled by Holding	7,284	–
Total	<u>2,146,697</u>	<u>–</u>
Associates and JCEs of the Group		
Tengzhou Sheng Long Coke	398,751	–
Total	<u>398,751</u>	<u>–</u>
Accounts payable:		
Holding and its subsidiaries		
Holding	592,735	2,533,954
Masteel Group Construction Co., Ltd	16,025,275	31,460,834
Masteel Group Road and Bridge Construction Co., Ltd	13,516,838	3,952,551
Masteel Shen Ma Metal Co., Ltd	10,843,299	15,615,814
Others entities controlled by Holding	11,825,641	12,118,881
Total	<u>52,803,788</u>	<u>65,682,034</u>
Associates and JCEs of the Group		
Maanshan Harbor	17,261,399	14,342,794
Jiyuan JinMa Coke	14,574,894	31,789,555
BOC-Ma Steel	13,974,391	58,946,695
Tengzhou Shenglong Coke	3,174,007	1,117,732
Total	<u>48,984,691</u>	<u>106,196,776</u>

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Receivable from/payable to related parties (Continued)

	30 June 2009 Unaudited	31 December 2008 Audited
Trade receivables:		
Holding and its subsidiaries		
Holding	9,022,736	–
Maanshan Jiang Hua Commodity Concrete Co., Ltd	1,981,928	3,965,303
Masteel Group Construction Co., Ltd	27,454	–
Others entities controlled by Holding	103,134	101,113
Total	11,135,252	4,066,416
Associates and JCEs of the Group		
Maanshan Harbor	3,766,792	–
Jiyuan Jin Ma Coke	133,000	–
Total	3,899,792	–
Deposits received:		
Holding and its subsidiaries		
Holding	13,731,795	364,303
Masteel Group Gu Shan Mining Co., Ltd	75,468,398	85,991,652
Masteel Group Construction Co., Ltd	35,171,265	791,178
Anhui BRC & Masteel Weldmesh Co., Ltd	–	40,985,721
Others entities controlled by Holding	26,073,480	1,950,633
Total	150,444,938	130,083,487
Dividends payable:		
Holding	1,095,945,600	1,095,945,600

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

VIII. CONTINGENT LIABILITIES

1. Guarantee

As at 30 June 2009, the Company had granted guarantees amounting to approximately RMB 3.814 billion (31 December 2008: approximately RMB3.814 billion) to banks for trading facilities granted to its subsidiaries.

2. Difference of corporate income tax

As detailed in Note III.7 to the interim financial statements, the Group still has potential risks on corporate income tax in prior years to be determined. The directors of the Company consider that it is not possible to reliably estimate whether the relevant tax authorities will retrospectively claim additional CIT from the Company and that it is not possible to reliably estimate the eventual outcome of this matter. Consequently, no provision or adjustment has been made in these interim financial statements in respect of the extra tax and related tax concessions, deferred tax, penalty and interests (if applicable).

IX. LEASE ARRANGEMENTS

Significant operating lease:

The Group leases its investment properties under operating lease arrangement to BOC-Ma Steel for 18 years. The rent is fixed during the operating lease period.

	30 June 2009 Unaudited	31 December 2008 Audited
Remaining lease period		
Within 1 year, inclusive	1,250,000	1,250,000
1 to 2 years, inclusive	1,250,000	1,250,000
2 to 3 years, inclusive	1,250,000	1,250,000
Over 3 years	13,282,534	13,907,534
Total	17,032,534	17,657,534

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

X. COMMITMENTS

1. The commitments of the Group as at the balance sheet date were as follows:

	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
Capital commitments		
Authorised, but not contracted for	19,229,438	19,367,543
Contracted, but not provided for	537,705	811,231
Total	<u>19,767,143</u>	<u>20,178,774</u>
Investment commitments		
Contracted, but not fully contributed	-	9,000

2. Share of the commitments of the JCEs by the Group (not included in Note 1 above) as at the balance sheet date were as follows:

	30 June 2009 Unaudited RMB'000	31 December 2008 Audited RMB'000
Capital commitments		
Authorised, but not contracted for	<u>766</u>	<u>766</u>

XI. POST BALANCE SHEET EVENTS

Up to the approval date of the interim financial statements, no significant post balance sheet event was noted.

XII. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to comply with presentation requirements.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

XIII. MAJOR NOTES TO INTERIM COMPANY FINANCIAL STATEMENTS

1. Bills receivable

	30 June 2009 Unaudited	31 December 2008 Audited
Bank acceptance bills	<u>2,749,474,868</u>	<u>1,180,972,207</u>

At 30 June 2009, certain of the Company's short-term loans were acquired from bills receivables discounted amounted to RMB20,000,000 (31 December 2008: RMB242,000,000).

As at 30 June 2009 and 31 December 2008, the balance of bills receivable did not contain any amount due from shareholders who hold 5% or above of the Company's equity interests or other related parties.

2. Trade receivables

The Company's credit terms are usually 30 to 90 days. And trade receivables are interest free.

The ageing of trade receivables is analysed below:

	30 June 2009 Unaudited	31 December 2008 Audited
Within one year	1,239,095,133	826,056,700
One to two years	23,477,997	12,966,706
Two to three years	760,286	493,596
Over three years	<u>17,747,618</u>	<u>17,586,516</u>
	1,281,081,034	857,103,518
Less: Provisions for bad debts	<u>17,220,331</u>	<u>17,082,331</u>
Total	<u>1,263,860,703</u>	<u>840,021,187</u>

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

XIII. MAJOR NOTES TO INTERIM COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Trade receivables (continued)

Trade receivables balance is analysed as follows:

	30 June 2009 Unaudited				31 December 2008 Audited			
	Balance	Ratio	Provision for bad debts	Ratio	Balance	Ratio	Provision for bad debts	Ratio
Individually significant	1,232,634,167	96%	(14,184,569)	1%	497,801,875	58%	(14,858,489)	3%
Other insignificant	48,446,867	4%	(3,035,762)	6%	359,301,643	42%	(2,223,842)	1%
Total	<u>1,281,081,034</u>	<u>100%</u>	<u>(17,220,331)</u>		<u>857,103,518</u>	<u>100%</u>	<u>(17,082,331)</u>	

An analysis of the amount of bad debts provisions written off in the current reporting period:

Reason	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Bankrupt or liquidated debtors	—	—
Debtors with age over 3 years and demonstrated by sufficient evidence that they were irrecoverable	—	—
Less: Amount received after written-off	<u>138,000</u>	<u>603,920</u>
Total	<u>(138,000)</u>	<u>(603,920)</u>

The movement of bad debts provisions for trade receivables for the six months ended 30 June 2009 is disclosed in Note 4.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

XIII. MAJOR NOTES TO INTERIM COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Other receivables

The ageing of other receivables is analysed below:

	30 June 2009 Unaudited	31 December 2008 Audited
Within one year	9,098,531	35,450,910
One to two years	14,027,915	13,077,473
Two to three years	273,308	159,998
Over three years	6,586,352	6,448,554
	29,986,106	55,136,935
Less: Provisions for bad debts	6,930,913	6,930,913
Total	23,055,193	48,206,022

Other receivables balance is analysed as follows:

	30 June 2009 Unaudited				31 December 2008 Audited			
	Balance	Ratio	Provision for bad debts	Ratio	Balance	Ratio	Provision for bad debts	Ratio
Individually significant	14,694,877	49%	(2,400,000)	16%	14,694,877	27%	(2,400,000)	16%
Other insignificant	15,291,229	51%	(4,530,913)	30%	40,442,058	73%	(4,530,913)	11%
Total	29,986,106	100%	(6,930,913)		55,136,935	100%	(6,930,913)	

As at 30 June 2009 and 30 June 2008, the balance of other receivables did not contain any amount due from bad debts provisions written off in the current reporting period.

The movement of bad debts provisions for other receivables for the six months ended 30 June 2009 is disclosed in Note 4

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

XIII. MAJOR NOTES TO INTERIM COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. Assets impairment provisions

	For the six months ended 30 June 2009					Closing balance Unaudited
	Opening Balance Audited	Increase during the period Unaudited	Decrease during the period			
			Reversal Unaudited	Write-back Unaudited	Write-off Unaudited	
Provisions for bad debts	24,013,244	-	-	-	138,000	24,151,244
Including: Trade receivables	17,082,331	-	-	-	138,000	17,220,331
Other receivables	6,930,913	-	-	-	-	6,930,913
Provisions for inventories	1,664,503,803	12,241,344	-	(1,640,089,650)	-	36,655,497
Including: Raw Materials	1,386,327,171	-	-	(1,386,327,171)	-	-
Work in Process	143,476,078	-	-	(143,476,078)	-	-
Finished goods	110,196,751	-	-	(110,196,751)	-	-
Spare parts	24,503,803	12,241,344	-	(89,650)	-	36,655,497
Impairment of fixed assets	90,675,644	-	-	-	-	90,675,644
Including: Buildings and structures	5,252,400	-	-	-	-	5,252,400
Plant, machinery and equipment	85,423,244	-	-	-	-	85,423,244
Total	<u>1,779,192,691</u>	<u>12,241,344</u>	<u>-</u>	<u>(1,640,089,650)</u>	<u>138,000</u>	<u>151,482,385</u>

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

XIII. MAJOR NOTES TO INTERIM COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. Assets impairment provisions (continued)

	For the six months ended 30 June 2008					Closing balance Unaudited
	Opening Balance Audited	Increase during the period Unaudited	Decrease during the period			
			Reversal Unaudited	Write-back Unaudited	Write-off Unaudited	
Provisions for bad debts	23,339,324	-	-	-	603,920	23,943,244
Including: Trade receivables	16,408,411	-	-	-	603,920	17,012,331
Other receivables	6,930,913	-	-	-	-	6,930,913
Provisions for inventories	132,103,392	-	-	(9,795,364)	-	122,308,028
Including: Finished goods	9,795,364	-	-	(9,795,364)	-	-
Spare parts	122,308,028	-	-	-	-	122,308,028
Impairment of fixed assets	90,675,644	-	-	-	-	90,675,644
Including: Buildings and structures	5,252,400	-	-	-	-	5,252,400
Plant, machinery and equipment	85,423,244	-	-	-	-	85,423,244
Total	246,118,360	-	-	(9,795,364)	603,920	236,926,916

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

XIII. MAJOR NOTES TO INTERIM COMPANY FINANCIAL STATEMENTS (CONTINUED)

5. Revenue and cost of sales

Revenue is stated as follows:

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Principle operating income	22,368,486,406	38,006,265,670
Other operating income	1,813,989,747	2,873,087,244
Total	24,182,476,153	40,879,352,914

Principle operating income and cost of sales are stated as follows:

	For the six months ended 30 June			
	2009 Unaudited		2008 Unaudited	
	Principle operating income	Principle cost of sales	Principle operating income	Principle cost of sales
Sale of steel products	21,613,345,257	21,595,884,104	35,467,931,506	31,428,111,127
Sale of steel billets	7,058,321	7,323,344	346,531,918	341,095,254
Sale of coke by-products	473,168,718	588,692,487	398,223,723	237,152,016
Others	274,914,110	206,845,029	1,793,578,523	1,530,451,314
Total	22,368,486,406	22,398,744,964	38,006,265,670	33,536,809,711

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

XIII. MAJOR NOTES TO INTERIM COMPANY FINANCIAL STATEMENTS (CONTINUED)

6. Assets impairment losses

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Provision for bad debts	–	–
Including: Trade receivables	–	–
Other receivables	–	–
Provision for inventories	12,241,344	–
Provision of held-to-maturity investments	–	–
Provision of long term equity investments	–	–
Provision of investment properties	–	–
Provision of fixed assets	–	–
Provision of construction in progress	–	–
Provision of intangible assets	–	–
Total	12,241,344	–

7. Investment income

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Long term equity investments income under equity method	74,162,290	128,031,350
Long term equity investments income under cost method	25,912,871	109,860,223
Other equity investment income	5,233	89,510
Total	100,080,394	237,981,083

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2009
Renminbi Yuan

XIII. MAJOR NOTES TO INTERIM COMPANY FINANCIAL STATEMENTS (CONTINUED)

8. Cash flows from operating activities

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited
Net profit/(loss)	(860,329,531)	2,387,780,072
Add: Provision for inventories	12,241,344	–
Depreciation of fixed assets	2,294,052,928	2,175,857,326
Amortisation of investment properties	34,453	219,751
Amortisation of intangible assets	15,923,184	15,296,240
Amortisation of deferred income	(33,928,671)	(32,942,886)
Net gain on disposal of non-current assets	(2,124,795)	(289,400)
Financial expenses	481,602,879	558,357,803
Investment income	(100,080,394)	(237,981,083)
Loss/(gain) on fair value changes	(271,500)	772,870
Decrease/(increase) in deferred tax assets	(3,037,924)	2,448,841
Decrease/(increase) in inventories	1,555,985,727	(2,959,444,696)
Decrease/(increase) in receivables from operating activities	(1,833,767,570)	199,092,104
Increase in payables from operating activities	3,440,967,437	3,797,806,054
Net cash flows from operating activities	4,967,267,567	5,906,972,996

XIV. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the board of directors on 18 August 2009.

Appendix Supplementary Information

30 June 2009
Renminbi Yuan

1. DIFFERENCES IN INTERIM FINANCIAL STATEMENTS PREPARED UNDER CAS AND HKFRS

No difference exists on shareholders' equity and net profit recorded in the consolidated financial statements prepared under the CAS and Hong Kong Financial Reporting Standards (the "HKFRS").

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

For the six months ended 30 June 2009

	Return on net assets (%)		Earnings per share (RMB)	
	Fully Diluted	Weighted Average	Basic	Diluted
Net loss attributable to equity holders of the parent	(3.15)	(3.29)	(0.103)	N/A
Net loss attributable to equity holders of the parent excluding non-recurring gains or losses	(3.48)	(3.64)	(0.114)	N/A

For the six months ended 30 June 2008

	Return on net assets (%)		Earnings per share (RMB)	
	Fully Diluted	Weighted Average	Basic	Diluted
Net profit attributable to equity holders of the parent	9.14	10.26	0.332	0.306
Net profit attributable to equity holders of the parent excluding non-recurring gains or losses	9.02	10.12	0.328	0.302

Return on net assets and earnings per share are calculated based on the formula stipulated in the "Regulation for the preparation of information disclosure by listed securities companies No.9 – Calculation and disclosure of return on net assets and earnings per share (2007 revised)" (Zheng Jian Kuai Ji Zi No.9 [2007]) issued by CSRC.

Appendix Supplementary Information (Continued)

30 June 2009
Renminbi Yuan

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE (CONTINUED)

	For the six months ended 30 June	
	2009 Unaudited	2008 Unaudited (restated)
Non-recurring gains or losses items		
Gain/(loss) on disposal of non-current assets	2,514,845	(575,278)
Subsidies income	49,469,080	1,067,600
Amortisation of deferred income	34,597,670	32,942,886
Other non-operating income and expense items	(1,311,830)	(5,877,670)
Gain/(loss) on fair value changes	271,500	(772,870)
Gain on disposal of financial assets held for trading	–	84,023
Net profit attributable to the subsidiary accounted for under business combination under common control for the period from beginning date of the year to combination date	–	9,846,023
	85,541,265	36,714,714
Less: Income tax effect	733,494	6,942,949
Non-recurring gains or losses attributable to minority shareholders	1,105,932	(212,759)
Net effect of non-recurring gains or losses	83,701,839	29,984,524
Net profit/(loss) attributable to equity holders of the parent excluding non-recurring gains or losses		
Net profit/(loss) attributable to ordinary equity holders of the parent	(795,420,710)	2,243,425,260
Less: Net effect of non-recurring gains or losses	83,701,839	29,984,524
Net profit/(loss) attributable to equity holders of the parent excluding non-recurring gains or losses	(879,122,549)	2,213,440,736

Appendix Supplementary Information (Continued)

30 June 2009
Renminbi Yuan

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE (CONTINUED)

The calculation of non-recurring gains or losses is in accordance with “Questions and answers on information disclosure standards of listed securities companies No.1 – Non-recurring Gains or Losses (2008 revised)” (No.43 [2008]) issued by CSRC.

3. VARIANCE ANALYSIS

Analysis on items with fluctuation more than 30% (inclusive) in interim consolidated financial statements is as follows:

- (1) The Group’s cash and balances with financial institutions amounted to RMB11,747,099,874, an increase of 97% over the previous year-end, which was mainly attributable to the increased deposit for trade facilities.
- (2) The Group’s financial assets held for trading amounted to RMB1,084,750, an increase of 33% over the previous year-end, which was mainly attributable to the increase of fair value of the financial assets held for trading.
- (3) The Group’s Bills receivable amounted to RMB3,078,777,983, an increase of 143% over the previous year-end, which was mainly attributable to the increase of bank acceptance bills arisen from sales.
- (4) The Group’s trade receivables amounted to RMB940,175,622, an increase of 50% over the previous year-end, which was mainly attributable to the increase in sales with credit terms.
- (5) The Group’s other receivables amounted to RMB172,615,036, a decrease of 60% over the previous year-end, which was mainly attributable to the decrease in prepayments for import customs and taxes.
- (6) The Group’s short term loan amounted to RMB1,751,762,173, an increase of 52% over the previous year-end, which was mainly attributable to the increase balance of current fund borrowing.
- (7) The Group’s Bills payable amounted to RMB7,057,239,833, an increase of 573% over the previous year-end, which was mainly attributable to more bank and commercial acceptance bills were issued for settlement with suppliers.
- (8) The Group’s taxes payable amounted to RMB(57,645,716), a decrease of 109% over the previous year-end, which was mainly attributable to the decrease of unpaid VAT payable.
- (9) The Group’s interests payable amounted to RMB22,294,291, a decrease of 49% over the previous year-end, which was mainly attributable to the decrease of average loan amounts and interest rate.

Appendix Supplementary Information (Continued)

30 June 2009
Renminbi Yuan

3. VARIANCE ANALYSIS (CONTINUED)

- (10) The Group's non-current liabilities due within one year amounted to RMB521,275,639, an increase of 133% over the previous year-end, which was mainly attributable to the increase in long term borrowings due within one year.
- (11) The Group's revenue amounted to RMB23,423,756,972, a decrease of 38% over the previous comparative period, which was mainly attributable to the decrease in both sales volume and average selling price.
- (12) The Group's taxes and surcharges amounted to RMB71,549,258, a decrease of 84% over the previous comparative period, which was mainly attributable to the decrease in export duty charges.
- (13) The Group's selling expense amounted to RMB115,891,502, a decrease of 32% over the previous comparative period, which was mainly attributable to the decrease in the expense related to selling.
- (14) The Group's financial expenses amounted to RMB509,930,351, a decrease of 34% over the previous comparative period, which was mainly attributable to the decrease in interest expense.
- (15) The Group's gain/(loss) on fair value changes amounted to RMB271,500, an increase of 135% over the previous comparative period, which was mainly attributable to the increase of fair value of the financial assets held for trading.
- (16) The Group's Investment income amounted to RMB82,229,365, a decrease of 35% over the previous comparative period, which was mainly attributable to the less shared profits from associates.
- (17) The Group's non-operating income amounted to RMB86,628,393, an increase of 152% over the previous comparative period, which was mainly attributable to the more government subsidies received.
- (18) The Group's non-operating expenses amounted to RMB1,358,628, a decrease of 80% over the previous comparative period, which was mainly attributable to less public donation.
- (19) The Group's income tax amounted to RMB7,733,268, a decrease of 99% over the previous comparative period, which was mainly attributable to the loss before tax was recorded during the period.

Interim Condensed Consolidated Income Statement

(Prepared under Hong Kong Financial Reporting Standards)

For the six months ended 30 June 2009

	Notes	For the six months ended 30 June	
		2009 Unaudited RMB'000	2008 Unaudited RMB'000
REVENUE	4	22,691,332	37,042,230
Cost of sales		(22,458,359)	(32,229,612)
Gross profit		232,973	4,812,618
Other income and gains	4	145,377	304,630
Selling and distribution costs		(187,441)	(606,917)
Administrative expenses		(463,820)	(529,855)
Other operating expenses, net		(954)	(1,024)
Finance costs	5	(533,267)	(952,516)
Share of profits and losses of:			
Jointly-controlled entities		30,981	27,323
Associates		43,186	99,251
PROFIT/(LOSS) BEFORE TAX	6	(732,965)	3,153,510
Tax	7	(7,733)	(839,997)
PROFIT/(LOSS) FOR THE PERIOD		(740,698)	2,313,513
Attributable to:			
Equity holders of the parent		(795,421)	2,243,425
Minority interests		54,723	70,088
		(740,698)	2,313,513
DIVIDEND	8	Nil	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		(10.33) cents	33.19 cents
Diluted		N/A	30.63 cents

Interim Condensed Consolidated Statement of Comprehensive Income

(Prepared under Hong Kong Financial Reporting Standards)

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 Unaudited RMB'000	2008 Unaudited RMB'000
PROFIT/(LOSS) FOR THE PERIOD	(740,698)	2,313,513
Exchange differences on translation of foreign operations	33,705	6,936
Other comprehensive income for the period	33,705	6,936
Total comprehensive income for the period, net of tax	(706,993)	2,320,449
ATTRIBUTABLE TO:		
Equity holders of the parent	(761,716)	2,250,361
Minority interests	54,723	70,088
	(706,993)	2,320,449

Interim Condensed Consolidated Statement of Financial Position

(Prepared under Hong Kong Financial Reporting Standards)

30 June 2009

	Notes	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	39,432,743	40,769,496
Construction in progress	11	3,040,059	2,754,591
Investment properties		1,171	1,206
Prepaid land premiums		1,768,243	1,765,348
Other intangible asset		98,937	85,191
Investment in jointly-controlled entities		335,761	304,279
Investments in associates		552,349	501,964
Available-for-sale equity investments		102,917	102,917
Deferred tax assets		623,197	612,250
Total non-current assets		45,955,377	46,897,242
CURRENT ASSETS			
Inventories	12	8,247,475	9,702,503
Construction contracts	13	145,750	145,555
Trade and bills receivables	14	4,018,954	1,893,983
Prepayments, deposits and other receivables	15	1,033,118	1,543,755
Tax recoverable		123,383	145,702
Held-to-maturity investments		2,939	2,939
Equity investments at fair value through profit or loss		1,085	813
Pledged time deposits	16	4,360,744	513,720
Cash and cash equivalents	16	7,386,356	5,437,367
Total current assets		25,319,804	19,386,337
CURRENT LIABILITIES			
Trade and bills payables	17	13,527,670	8,574,266
Other payables and accruals		7,458,473	8,549,471
Interest-bearing bank and other borrowings		2,273,038	1,377,579
Provisions		13,216	24,856
Total current liabilities		23,272,397	18,526,172
NET CURRENT ASSETS		2,047,407	860,165
TOTAL ASSETS LESS CURRENT LIABILITIES		48,002,784	47,757,407

Interim Condensed Consolidated Statement of Financial Position (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

	Notes	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		48,002,784	47,757,407
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		16,526,856	15,666,296
Bonds with warrants	18	5,068,712	4,992,975
Deferred income		559,442	563,549
Provisions		7,485	7,485
Total non-current liabilities		22,162,495	21,230,305
Net assets		25,840,289	26,527,102
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	19	7,700,681	7,700,681
Reserves		17,544,586	18,306,302
		25,245,267	26,006,983
Minority interests		595,022	520,119
Total equity		25,840,289	26,527,102

Gu Jianguo
Director

Su Jiangan
Director

Interim Condensed Consolidated Statement of Changes in Equity

(Prepared under Hong Kong Financial Reporting Standards)

For the six months ended 30 June 2009

	Attributable to equity holders of the parent											
	Equity component			Statutory reserve	Enterprise Reserve		Exchange fluctuation reserve	Proposed		Minority interests	Total equity	
	Issued share capital	Capital reserve account	of bonds with warrants		fund	expansion fund		Retained profits	final dividend			Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2009	7,700,681	8,338,359	-	2,928,527	45,729	34,267	(47,775)	7,007,195	-	26,006,983	520,119	26,527,102
Profit/(loss) for the period	-	-	-	-	-	-	-	(795,421)	-	(795,421)	54,723	(740,698)
Other comprehensive income	-	-	-	-	-	-	33,705	-	-	33,705	-	33,705
Total comprehensive income	-	-	-	-	-	-	33,705	(795,421)	-	(761,716)	54,723	(706,993)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(9,973)	(9,973)
Capital contribution by minority shareholders	-	-	-	-	-	-	-	-	-	-	30,153	30,153
At 30 June 2009 (Unaudited)	<u>7,700,681</u>	<u>8,338,359*</u>	<u>-*</u>	<u>2,928,527*</u>	<u>45,729*</u>	<u>34,267*</u>	<u>(14,070)*</u>	<u>6,211,774*</u>	<u>-</u>	<u>25,245,267</u>	<u>595,022</u>	<u>25,840,289</u>
At 1 January 2008	6,758,552	5,684,014	372,679	2,837,343	36,642	27,577	9,630	6,403,922	878,612	23,008,971	446,515	23,455,486
Profit for the period	-	-	-	-	-	-	-	2,243,425	-	2,243,425	70,088	2,313,513
Other comprehensive income	-	-	-	-	-	-	6,936	-	-	6,936	-	6,936
Total comprehensive income	-	-	-	-	-	-	6,936	2,243,425	-	2,250,361	70,088	2,320,449
Adjustment for deferred tax liability of bonds with warrants	-	-	167,810	-	-	-	-	-	-	167,810	-	167,810
Final 2007 dividend declared	-	-	-	-	-	-	-	-	(878,612)	(878,612)	-	(878,612)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(48,584)	(48,584)
Capital contribution by minority shareholders	-	-	-	-	-	-	-	-	-	-	101,194	101,194
At 30 June 2008 (Unaudited)	<u>6,758,552</u>	<u>5,684,014</u>	<u>540,489</u>	<u>2,837,343</u>	<u>36,642</u>	<u>27,577</u>	<u>16,566</u>	<u>8,647,347</u>	<u>-</u>	<u>24,548,530</u>	<u>569,213</u>	<u>25,117,743</u>

* These reserve accounts comprise the consolidated reserves of RMB17,544,586,000 in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Cash Flow Statement

(Prepared under Hong Kong Financial Reporting Standards)

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 Unaudited RMB'000	2008 Unaudited RMB'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	6,358,176	6,537,919
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(5,731,018)	(1,707,784)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	1,297,621	(2,961,065)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,924,779	1,869,070
Cash and cash equivalents at beginning of period	5,437,367	5,523,876
Effect of foreign exchange rate changes, net	24,210	(15,935)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,386,356	7,377,011
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	7,386,356	7,377,011

Notes to Interim Condensed Consolidated Financial Statements

(Prepared under Hong Kong Financial Reporting Standards)

30 June 2009

1. CORPORATE INFORMATION

Maanshan Iron & Steel Company Limited (the “Company”) is a joint stock company incorporated in the People’s Republic of China (the “PRC”). The registered address of the Company is located at No. 8 Hong Qi Zhong Road, Maanshan City, Anhui Province, the PRC, and the office address of the Company is located at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC.

During the reporting period, the Company and its subsidiaries (the “Group”) were principally engaged in the manufacture and sale of iron and steel products and related by-products.

In the opinion of the directors, the parent and the ultimate holding company of the Group is Magang (Group) Holding Company Limited (“Holding”), which is incorporated in the PRC.

2. ACCOUNTING POLICIES

The interim condensed consolidated financial statements are prepared in accordance with HKAS 34. The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2008, except for the following:

On 1 January 2009, the Group adopted revised HKAS 1 “Presentation of Financial Statements” (HKAS 1). The revised standard aims to improve users’ ability to analyse and compare information given in financial statements. The adoption of this revised standard has no effect on the results reported in the Group’s interim condensed consolidated financial statements. It does, however, result in certain presentational changes in the Group’s primary financial statements, including:

- the adoption of revised title “Statement of financial position” for the “Balance sheet”; and
- the presentation of all items of income and expenditure in two financial statements, the “Income statement” and “Statement of comprehensive income”.

Besides, the Group also adopted a number of new and revised standards and interpretations that have no material impact on the accounting policies of the Group and the methods of computation in the Group’s interim condensed consolidated financial statements. These are described under Note 2.3 of the Company’s 2008 Annual Report and Accounts.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

3. SEGMENT INFORMATION

For management purposes, the Group is organised as a single business unit focusing on the manufacture and sales of iron and steel products and related by-products, and, therefore, has no separable operating segment.

Revenue from external customers based on the location of customer is analysed as follows:

	Six months ended 30 June	
	2009 Unaudited RMB'000	2008 Unaudited RMB'000
Mainland China	22,416,181	35,108,232
Overseas	275,151	1,933,998
	22,691,332	37,042,230

The geographical location of the Group's non-current assets is analysed as follows:

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Mainland China	45,125,477	46,092,968
Overseas	103,786	89,107
	45,229,263	46,182,075

The Group has not placed reliance on any single external customers, amounting to 10% or more of its revenues.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowance for returns and trade discounts, and excludes sales taxes and intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2009 Unaudited RMB'000	2008 Unaudited RMB'000
Revenue		
Sale of goods	22,691,332	37,042,230
Other income and gains		
Subsidies income	49,469	1,068
Recognition of deferred income	34,598	32,943
Bank interest income	35,895	37,299
Dividend income from available-for-sale financial assets	8,057	104
Trading of iron ores	2,757	43,376
Net rental income	625	625
Others	13,976	189,215
	145,377	304,630

5. FINANCE COSTS

	For the six months ended 30 June	
	2009 Unaudited RMB'000	2008 Unaudited RMB'000
Interest on bank loans, other loans and bonds with warrants wholly repayable within five years	533,267	952,516

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2009 Unaudited RMB'000	2008 Unaudited RMB'000
Cost of inventories sold (note i)	22,458,359	32,229,612
Depreciation of property, plant and equipment	2,388,753	2,252,671
Depreciation of investment properties	34	34
Recognition of prepaid land premiums	20,583	19,663
Amortisation of a mine participation right (note ii)	1,943	2,766
Auditors' remuneration	3,011	3,007
Staff costs:		
Wages and salaries	1,048,926	916,691
Welfare and benefits	319,601	280,222
Pension scheme contributions	236,550	207,929
	1,605,077	1,404,842
Contingent rents under operating leases in respect of land and buildings	20,168	18,125
Foreign exchange differences:		
Foreign exchange gains, net	(376)	(159,200)
Loss/(gain) on disposal of items of property, plant and equipment, net	(2,515)	575
Net rental income	(625)	(625)
Bank interest income	(35,895)	(37,299)
Dividend income from available-for-sale financial assets	(8,057)	(104)
Recognition of deferred income (note iii)	(34,598)	(32,943)

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

6. PROFIT BEFORE TAX (CONTINUED)

Notes:

- (i) Included in the cost of inventories sold for the six months ended 30 June 2009 is a write-back of provision against inventories of RMB 1,746,361,000 (2008: RMB 9,795,000).
- (ii) The amortisation of a mine participation right is included in "Cost of sales" on the face of the interim condensed consolidated income statement.
- (iii) Various government grants have been received for the construction of specific projects and included in deferred income in the interim condensed consolidated statement of financial position. Upon completion of the construction of specific projects and the related transfers to property, plant and equipment, the relevant government grants would be amortised and recorded as other revenue over the estimated useful lives of the property, plant and equipment. There are no unfulfilled conditions or contingencies relating to these grants.

7. TAX

	For the six months ended 30 June	
	2009 Unaudited RMB'000	2008 Unaudited RMB'000
Group:		
Current – Mainland China	4,337	828,317
Current – Elsewhere	14,344	9,517
Deferred	(10,948)	2,163
Total tax charge for the period	<u>7,733</u>	<u>839,997</u>

The corporate income tax ("CIT") for the Company for the current reporting period has been provided at the rate of 25% on the assessable profits according to the relevant tax rules and regulations.

The State Administration of Taxation (the "SAT") issued a tax circular "Enterprise Income Tax Issues relating to Nine Companies Listed Overseas ("Circular No. 664") in June 2007 which requested the relevant local tax authorities to rectify, immediately, the expired concessionary tax policy for the nine listed companies authorised by the State Council to issue shares in Hong Kong in 1993 which, at the time of writing, was still being applied. The Circular stated that the difference in CIT arising from the expired preferential CIT rate and the applicable CIT rate (the "CIT Differences") should be settled according to the provisions of "Law on the Administration of Tax Collection".

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

7. TAX (CONTINUED)

The Company is one of the nine listed companies mentioned above and applied the preferential CIT rate of 15% prior to 2007. Having understood the above, the Company thoroughly communicated with the relevant tax authority and was informed by the relevant tax authority that the Company applies the CIT tax rate of 33% for 2007. The Company has not been requested to pay the CIT Differences in respect of any prior years.

Based on a notice from the relevant tax authority and communication with the relevant tax authority, the directors of the Company consider that, at this stage, it is uncertain whether the relevant tax authority will claim the CIT Differences from the Company in respect of any prior years and could not reliably estimate the eventual outcome of this matter. Consequently, no provision has been made in these financial statements for the CIT Differences in respect of any prior years.

The CIT for the Company's subsidiaries, jointly-controlled entities and associates in the mainland of the PRC is calculated at rates ranging from 10% to 25% on their estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof. Certain of them are foreign investment enterprises and after obtaining the authorisation from the respective tax authorities, these subsidiaries are subject to a full foreign enterprise income tax exemption for the first two years and a 50% reduction in the succeeding three years, commencing from the first profitable year after offsetting all tax losses carried forward from the previous five years.

Profits tax for a subsidiary in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the current reporting period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2009 (2008: Nil).

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent of RMB 795,421,000 and profit of RMB2,243,425,000 for the six months ended 30 June 2008, and the weighted average of 7,700,681,186 (30 June 2008: 6,758,551,716) ordinary shares in issue during the period.

The diluted earning per shares amount for the six months ended 30 June 2009 has not been disclosed as there was no potential ordinary shares existed as at 30 June 2009.

The calculation of diluted earnings per share amounts for the six months ended 30 June 2008 was based on the profit for that year attributable to ordinary equity holders of the parent of RMB2,243,425,000 and 7,323,928,394 ordinary shares representing the aggregate of the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures Unaudited RMB'000	Plant, machinery and equipment Unaudited RMB'000	Transportation vehicles and equipment Unaudited RMB'000	Total Unaudited RMB'000
30 June 2009				
At 1 January 2009				
Cost	20,263,273	39,137,340	428,963	59,829,576
Accumulated depreciation and impairment	<u>(5,236,313)</u>	<u>(13,514,754)</u>	<u>(309,013)</u>	<u>(19,060,080)</u>
Net carrying amount	<u>15,026,960</u>	<u>25,622,586</u>	<u>119,950</u>	<u>40,769,496</u>
At 1 January 2009, net of accumulated depreciation and impairment	15,026,960	25,622,586	119,950	40,769,496
Additions	377	5,822	949	7,148
Transfer from construction in progress (note 11)	173,248	866,321	9,707	1,049,276
Reclassification	(21,753)	21,753	–	–
Depreciation provided during the period	(580,824)	(1,784,647)	(23,282)	(2,388,753)
Disposals/write-off	<u>(1,416)</u>	<u>(1,006)</u>	<u>(2,002)</u>	<u>(4,424)</u>
At 30 June 2009, net of accumulated depreciation and impairment	<u>14,596,592</u>	<u>24,730,829</u>	<u>105,322</u>	<u>39,432,743</u>
At 30 June 2009				
Cost	20,411,877	40,000,666	434,250	60,846,793
Accumulated depreciation and impairment	<u>(5,815,285)</u>	<u>(15,269,837)</u>	<u>(328,928)</u>	<u>(21,414,050)</u>
Net carrying amount	<u>14,596,592</u>	<u>24,730,829</u>	<u>105,322</u>	<u>39,432,743</u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings and structures Unaudited RMB'000	Plant, machinery and equipment Unaudited RMB'000	Transportation vehicles and equipment Unaudited RMB'000	Total Unaudited RMB'000
30 June 2008				
At 1 January 2008				
Cost	18,684,265	36,839,150	425,256	55,948,671
Accumulated depreciation and impairment	<u>(4,116,693)</u>	<u>(10,235,224)</u>	<u>(281,397)</u>	<u>(14,633,314)</u>
Net carrying amount	<u>14,567,572</u>	<u>26,603,926</u>	<u>143,859</u>	<u>41,315,357</u>
At 1 January 2008, net of accumulated depreciation and impairment				
	14,567,572	26,603,926	143,859	41,315,357
Additions	19,303	68,351	3,907	91,561
Acquisition of a subsidiary (note 20)	9,308	3,236	112	12,656
Transfer from construction in progress (note 11)	677,886	1,236,419	11,513	1,925,818
Reclassification	85,009	(82,245)	(2,764)	–
Depreciation provided during the period	(532,006)	(1,694,995)	(25,670)	(2,252,671)
Disposals/write-off	<u>(36)</u>	<u>(657)</u>	<u>(868)</u>	<u>(1,561)</u>
At 30 June 2008, net of accumulated depreciation and impairment	<u>14,827,036</u>	<u>26,134,035</u>	<u>130,089</u>	<u>41,091,160</u>
At 30 June 2008				
Cost	19,494,466	38,044,611	431,005	57,970,082
Accumulated depreciation and impairment	<u>(4,667,430)</u>	<u>(11,910,576)</u>	<u>(300,916)</u>	<u>(16,878,922)</u>
Net carrying amount	<u>14,827,036</u>	<u>26,134,035</u>	<u>130,089</u>	<u>41,091,160</u>

As at 30 June 2009, certain of the Group's equipment with an aggregate net book value of RMB19,875,000 (31 December 2008: RMB21,303,000) was pledged to secure a loan granted by Profit Access Investments Limited, a minority shareholder of a subsidiary of the Company.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

11. CONSTRUCTION IN PROGRESS

	Unaudited RMB'000
30 June 2009	
Cost:	
At 1 January 2009	2,754,591
Additions	1,334,744
Transfers to property, plant and equipment (note 10)	<u>(1,049,276)</u>
At 30 June 2009	<u>3,040,059</u>
Accumulated impairment:	
At 1 January 2009 and 30 June 2009	<u>–</u>
At 30 June 2009, net of accumulated impairment	<u>3,040,059</u>
30 June 2008	
Cost:	
At 1 January 2008	4,021,499
Additions	1,294,712
Acquisition of a subsidiary (note 20)	260
Transfers to property, plant and equipment (note 10)	<u>(1,925,818)</u>
At 30 June 2008	<u>3,390,653</u>
Accumulated impairment:	
At 1 January 2008 and 30 June 2008	<u>–</u>
At 30 June 2008, net of accumulated impairment	<u>3,390,653</u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

12. INVENTORIES

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Raw materials	4,157,089	5,314,200
Work in progress	1,253,939	856,153
Finished goods	980,542	1,006,814
Spare parts	1,855,905	2,525,336
	8,247,475	9,702,503

As at 30 June 2009, the carrying amount of the Group's inventories, which were pledged as securities for the Group's trading facilities for the issuance of bank bills, amounted to RMB466,952,000 (31 December 2008: RMB329,306,000).

13. CONSTRUCTION CONTRACTS

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Gross amount due from contract customers	145,750	145,555
Contract costs incurred to date plus recognised profits less recognised losses	198,348	218,883
Less: Progress billings	(52,598)	(73,328)
	145,750	145,555

As at 30 June 2009, retentions held by customers for contract works included in the Group's trade receivables amounted to RMB14 million (31 December 2008: RMB16 million).

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

14. TRADE AND BILLS RECEIVABLES

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Trade receivables	960,129	646,543
Bills receivable	3,078,778	1,267,255
	4,038,907	1,913,798
Impairment	(19,953)	(19,815)
	4,018,954	1,893,983

The Group's credit periods offered to selected customers are generally 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a few major customers and there is a concentration of credit risk with a maximum exposure equal to the carrying amounts of the trade receivables. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables based on the invoice date and net of provisions, is as follows:

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Trade receivables:		
Within three months	788,640	187,614
Four to six months	121,672	354,234
Seven to twelve months	12,993	57,782
One to two years	11,584	25,753
Two to three years	4,000	483
Over 3 years	1,287	862
	940,176	626,728
Bills receivable	3,078,778	1,267,255
	4,018,954	1,893,983

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

14. TRADE AND BILLS RECEIVABLES (CONTINUED)

Bills receivable will mature within one year.

The movements in provision for impairment of trade and bills receivables are as follows:

	For the six months ended 30 June	
	2009 Unaudited RMB'000	2008 Unaudited RMB'000
At 1 January	19,815	17,355
Acquisition of a subsidiary	–	1,005
Amount received after written off	138	604
At 30 June	19,953	18,964

The above provision for impairment of the Group's trade and bills receivables is a provision for individually impaired trade receivables, with a carrying amount of RMB29,386,000 (31 December 2008: RMB26,312,000). The individually impaired trade receivables relate to customers that were in financial difficulties or the customers were in default or delinquency in principal payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Neither overdue nor impaired	3,974,866	1,844,402
Overdue less than six months	25,826	25,313
Overdue over six months	18,262	24,268
	4,018,954	1,893,983

Receivables that were neither overdue nor impaired relate to a number of customers for whom there was no recent history of default.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

14. TRADE AND BILLS RECEIVABLES (CONTINUED)

Receivables that were overdue but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered recoverable.

Included in the Group's trade and bills receivables are amounts due from Holding and its subsidiaries, the Group's associates of RMB11,135,000 (31 December 2008: RMB4,066,000), RMB3,900,000 (31 December 2008: Nil), respectively. Such balances principally arose from normal trading activities.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Prepayments	860,503	1,107,261
Deposits and receivables	179,685	443,564
	1,040,188	1,550,825
Impairment	(7,070)	(7,070)
	1,033,118	1,543,755

The above impairment was made for deposits and receivables and the movements are as follows:

	For the six months ended 30 June	
	2009 Unaudited RMB'000	2008 Unaudited RMB'000
At 1 January	7,070	7,022
Acquisition of a subsidiary	–	139
At 30 June	7,070	7,161

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

The aged analysis of the deposits and receivables that are not considered to be impaired is as follows:

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Neither overdue nor impaired	169,261	435,253
Overdue less than six months	2,133	1,200
Overdue over six months	1,221	41
	172,615	436,494

Deposits and receivables that were neither overdue nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Other receivables that were overdue but not impaired relate to a number of independent individuals that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered recoverable.

Included in the Group's prepayments, deposits and other receivables are amount due from Holding and its subsidiaries, the Group's associates of RMB2,147,000 (31 December 2008: nil), RMB399,000 (31 December 2008: Nil), respectively. Such balances were mainly for the purchase of construction services.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

16. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Cash and bank balances	7,386,356	5,437,367
Time deposits	4,360,744	513,720
	11,747,100	5,951,087
Less: Pledged time deposits for		
– Trading facilities	(944,794)	(496,655)
– Performance bonds	–	(17,065)
– Bank loans	(3,415,950)	–
	(4,360,744)	(513,720)
Cash and cash equivalents in the interim condensed consolidated statement of financial position	7,386,356	5,437,367

17. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables based on the invoice date, is as follows:

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Within one year	13,269,804	8,464,041
One to two years	210,677	63,044
Two to three years	19,726	44,530
Over three years	27,463	2,651
	13,527,670	8,574,266

The trade payables are non-interest-bearing and are normally settled within three months.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

17. TRADE AND BILLS PAYABLES (CONTINUED)

Included in the Group's trade payables are amounts due to Holding and its subsidiaries, and the Group's jointly-controlled entities and associates of RMB52,804,000 (31 December 2008: RMB65,682,000), RMB13,974,000 (31 December 2008: RMB58,947,000), and RMB35,010,000 (31 December 2008: RMB47,250,000), respectively. Such balances principally arose from normal trading activities.

18. BONDS WITH WARRANTS

	For the six months ended 30 June	
	2009 Unaudited RMB'000	2008 Unaudited RMB'000
Opening balance	4,992,975	4,828,762
Interest expense	124,718	120,606
Interest paid	—	—
Closing balance	5,117,693	4,949,368
Less: Portion classified as current liability	(48,981)	(49,194)
Non-current portion	<u>5,068,712</u>	<u>4,900,174</u>

On 13 November 2006, the Company issued 55,000,000 bonds with warrants with a nominal value of RMB100 each, amounting to RMB5.5 billion in total. The bonds and warrants are listed on the Shanghai Stock Exchange. The bonds with warrants are guaranteed by Holding and have a 5-year life from the date of issuance, and will be fully repaid in November 2011. The subscribers of each bond have been entitled to receive 23 warrants at nil consideration, and in aggregate, 1,265,000,000 warrants were issued. Every warrant can be converted into one A share. The warrants have a life of 24 months from the date of listing. The holders of the warrants are entitled to exercise the warrants 10 trading days prior to the 12-month and 24-month of the listing of the warrants. The original conversion price is RMB3.40 each. Since the declaration of dividends on 13 July 2007 and 10 July 2008, the conversion price has been adjusted to RMB3.33 and RMB3.26, respectively, each.

The first exercise period of the warrants took place on 15 November 2007 to 28 November 2007. A total of 303,251,716 warrants were exercised by certain holders in exchange for the Company's A shares at a conversion price of RMB3.33. After the first exercise period was completed, the equity component of bonds with warrants of RMB117,511,000 had been transferred to the capital reserve account accordingly.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

18. BONDS WITH WARRANTS (CONTINUED)

The second (final) exercise period of the warrants took place on 17 November 2008 to 28 November 2008. A total of 942,129,470 warrants were exercised by certain holders in exchange for the Company's A shares at a conversion price of RMB3.26. After the second exercise period was completed, the remaining equity component of bonds with warrants of RMB540,489,000 had been transferred to the capital reserve account accordingly.

The bonds with warrants are interest-bearing at a rate of 1.4% per annum payable in arrears on 12 November each year. When the bonds with warrants were issued, the prevailing market interest rate for similar bonds without the attached purchase warrants was higher than the interest rate at which the bonds were issued.

The fair value of the liability component was estimated at the issue date using an equivalent market interest rate for a similar bond without the attached purchase warrants. The residual amount is assigned as the equity component and is included in shareholders' equity.

19. SHARE CAPITAL

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Issued and fully paid:		
State owned shares	3,830,560	3,830,560
Individual A shares of RMB1.00 each	2,137,191	2,137,191
H shares of RMB1.00 each	1,732,930	1,732,930
	7,700,681	7,700,681

Except for dividends for H shares which are payable in Hong Kong dollars, all of the A shares and H shares rank pari passu with each other in respect of dividends and voting rights.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

20. BUSINESS COMBINATIONS

On 4 May 2008, Anhui Masteel Holly Industrial Co., Ltd. (“Holly Industrial”) acquired a 75% equity interest in Anhui Masteel Stereoscopic Auto-Parking Equipments Company Limited (“Masteel Auto-Parking”), a 25% owned associate of the Group, from Holding at a cash consideration of RMB15,678,000.

The fair values of the identifiable assets and liabilities as at the date of the acquisition were as follows:

	Notes	2008 RMB'000
Property, plant and equipment, net	10	12,656
Construction in progress	11	260
Prepaid land premiums		3,548
Inventories		10,082
Trade and bills receivables		17,898
Prepayments, deposits and other receivables		1,586
Cash and cash equivalents		1,580
Trade payables		(2,074)
Interest-bearing bank and other borrowings		(20,000)
Other payables and accruals		(4,655)
Tax payable		23
		<u>20,904</u>
Less: Reclassification of interest in an associate		<u>(5,226)</u>
		<u>15,678</u>
Satisfied by cash		<u>15,678</u>

An analysis of the net outflow of cash and cash equivalents in respect of the aforesaid acquisition is as follows:

	RMB'000
Cash consideration	(15,678)
Cash and cash equivalents acquired	<u>1,580</u>
Net outflow of cash and cash equivalents in respect of the aforesaid acquisition	<u>(14,098)</u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

20. BUSINESS COMBINATIONS (CONTINUED)

Upon the aforesaid acquisition, Masteel Auto-Parking's contributions to the Group's consolidated revenue and consolidated profit attributable to equity holders of the parent for the year ended 31 December 2008 was not significant.

Had the combination taken place on 1 January 2008, the Group's consolidated revenue and consolidated profit attributable to equity holders of the parent for the year would have been RMB70 billion and RMB700 million, respectively.

21. CONTINGENT LIABILITIES

- (a) As at 30 June 2009, the Company had granted guarantees amounting to approximately RMB3,814,000,000 (31 December 2008: approximately RMB3,814,000,000) to banks in connection with facilities granted to its subsidiaries. On that date, such banking facilities were utilised to the extent RMB483,000,000 (31 December 2008: RMB14,000,000).
- (b) As detailed in note 7 to the interim condensed consolidated financial statements, the Group has potential risk on CIT in prior years. The directors of the Company, at this stage, consider that it is uncertain whether the relevant tax authority will claim the CIT Differences from the Company in respect of any prior years and could not reliably estimate the eventual outcome of this matter. Consequently, no provision has been made in these financial statements for the CIT Differences and the related tax concessions, deferred tax, penalty and interest (if applicable).

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

22. OPERATING LEASE ARRANGEMENTS

The Group has leased its investment properties under an operating lease arrangement with BOC-Ma Steel, the Group's jointly-controlled entity, for 18 years. The periodic rent is fixed during the operating lease period.

At 30 June 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Within one year	1,250	1,250
In the second to fifth years, inclusive	5,000	5,000
After five years	10,783	11,408
	17,033	17,658

23. COMMITMENTS

(a) The Group's commitments for capital expenditure for buildings and structures, plant and equipment were as follows:

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Authorised, but not contracted for	19,229,438	19,367,543
Contracted, but not provided for	537,705	811,231
	19,767,143	20,178,774

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

23. COMMITMENTS (CONTINUED)

(b) The Group's commitments for capital contributions were as follows:

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Contracted, but not provided for	—	9,000

(c) The Group's share of the capital commitments of the jointly-controlled entities, which is not included in note (a) above, in respect of capital expenditure for buildings and structures, plant and equipment were as follows:

	As at 30 June 2009 Unaudited RMB'000	As at 31 December 2008 Audited RMB'000
Authorised, but not contracted for	766	766

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

24. RELATED PARTY TRANSACTIONS

- (a) Transactions carried out between the Group and its related parties during the period

The following is a summary of the significant transactions carried out between the Group and its related parties during the period:

		For the six months ended 30 June	
		2009	2008
		Unaudited RMB'000	Unaudited RMB'000
		Notes	
<i>Transactions with Holding and its subsidiaries:</i>			
Purchases of iron ore	(i)	1,265,854	953,418
Fees paid for welfare, support services and other services	(ii), (iii)	69,291	87,719
Rental expenses	(iii)	20,168	18,125
Agency fee paid	(iii)	2,056	1,259
Purchases of property, plant and equipment and construction services	(iii)	75,692	115,778
Fees received for the supply of utilities, services and other consumable goods	(iii)	(11,136)	(15,376)
Sale of steel and other by-products	(iii)	(1,365)	(2,643)
Acquisition of a subsidiary	(iv)	–	15,678
Financial cost	(v)	430	1,359
<i>Transactions with associates of the Company:</i>			
Purchases of coke	(iii)	574,914	319,437
Loading expenses	(iii)	63,540	79,749
<i>Transactions with jointly-controlled entities of the Company:</i>			
Rental income	(iii)	(625)	(625)
Fees received for the supply of electricity	(ii)	(129,657)	(103,349)
Purchases of gas products	(iii)	237,352	212,695

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009

24. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) Transactions carried out between the Group and its related parties during the period (continued)

Notes:

- (i) The terms for the purchases of iron ore from Holding were conducted in accordance with an agreement dated 18 October 2006 entered into between the Company and Holding.
- (ii) The terms for the provision of certain services, including on-the-job training, food and sanitary services, environmental and hygiene services, maintenance of roads and landscaping services were conducted in accordance with service agreements entered into between the Company and Holding on May 2009.
- (iii) These transactions were conducted on terms mutually agreed between the Group and the related parties.
- (iv) Pursuant to an agreement entered into between Holly Industrial and Holding dated 4 May 2008, Holly Industrial purchased a 75% equity interest in Masteel Auto-Parking from Holding at a consideration of RMB15,678,000.
- (v) Certain bank loans of RMB18,000,000 in aggregate (31 December 2008: RMB 60,000,000) were lent by Holding through an entrusted loan arrangement with the Industrial and Commercial Bank of China, with the credit term being one year and annual interest rates was 4.779%.
- (b) Holding has guaranteed certain bank loans of the Group and bonds with warrants amounting to RMB9.8 billion (31 December 2008: approximately RMB13.1 billion) at nil consideration.
- (c) Other loans totaling RMB5.8 million (31 December 2008: RMB6.4 million) are granted by Profit Access Investments Limited, a minority shareholder of a subsidiary of the Company.
- (d) Outstanding balances with related parties:
- (i) Included in the Group's other payables and accruals are amounts due to Holding and its subsidiaries, amounting to RMB1,246,391,000 (31 December 2008: RMB1,226,029,000).
- (ii) Further details of balances of the Group with Holding and its subsidiaries are set out in notes 14, 15 and 17 to the interim condensed consolidated financial statements.

These balances are unsecured, interest-free and have no fixed terms of repayment.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

*(Prepared under Hong Kong Financial Reporting Standards)
30 June 2009*

24. RELATED PARTY TRANSACTIONS (CONTINUED)

In the opinion of the directors, the transactions set out in items (a) (i) to (iii) above were carried out in the normal course of business of the Group.

The related party transactions in respect of items (a) also constitute disclosable connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

25. DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER HONG KONG FINANCIAL REPORTING STANDARDS AND CHINA ACCOUNTING STANDARDS

No difference exists on net profits and shareholders' equity recorded in the consolidated financial statements prepared under the Hong Kong Financial Reporting Standards and China Accounting Standards during the reporting period.

26. APPROVAL OF THE INTERIM FINANCIAL STATEMENT

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 18 August 2009.

Documents Available for Inspection

1. Interim report signed by Chairman of the Company;
2. Financial reports signed and stamped by the Company's legal representative, chief accountant and head of Accounting Department;
3. Original copies of all documents and announcements of the Company disclosed in newspapers designated by the CSRC during the reporting period;
4. The Company's Articles of Association;
5. Interim report disclosed in other securities market;
6. Other related information.

Maanshan Iron & Steel Company Limited
Gu Jianguo
Chairman

18 August 2009
Maanshan City, Anhui Province, the PRC