

2010 Interim Report



MAANSHAN IRON & STEEL COMPANY LIMITED

H Share Code: 323

A Share Code: 600808

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IMPORTANT NOTICE

The board of directors, the supervisory committee, the directors, the supervisors and senior management of the Company warrant that there are no false representations or 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.

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.

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.





I. Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

The Company/Company/Magang:	Maanshan Iron & Steel Company Limited
The Group:	The Company and its subsidiaries
Holding:	Magang (Group) Holding Company Limited
The Board:	The board of directors of the Company
Directors:	Directors of the Company
The Supervisory Committee:	The Supervisory Committee of the Company
Supervisors:	Supervisors of the Company
Hong Kong Stock Exchange:	The Stock Exchange of Hong Kong Limited
SSE:	The Shanghai Stock Exchange
A shares:	Ordinary shares of a nominal value of RMB1.00 each in the capital of the Company which are listed on the SSE, and are subscribed for and traded in RMB
H shares:	Foreign shares of a nominal value of RMB1.00 each in the capital of the Company which are listed on the Hong Kong Stock Exchange, and are subscribed for and traded in Hong Kong dollars
Hong Kong:	The Hong Kong Special Administrative Region
RMB:	Renminbi
China:	The People's Republic of China
CSRC:	The China Securities Regulatory Commission
CBRC:	The China Banking Regulatory Commission
CIRC:	The China Insurance Regulatory Commission
Articles:	The articles of association of Maanshan Iron & Steel Company Limited
Bonds with Warrants:	Convertible corporate bonds, in which bonds and subscription warrants are tradable separately

II. Company Profile

1. COMPANY PROFILE

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	:	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 Jiu Hua Xi 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 (the “Company”) 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 steel, wire rods, train wheels and 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.

II. Company Profile (Continued)

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	(RMB'000) Increase/(decrease) at the end of the reporting period as compared to the end of the previous year (±%)
Total assets	69,754,771	67,984,107	2.60
Shareholders' equity	27,191,326	26,464,654	2.75
Net assets per share (RMB)	3.53	3.44	2.75
	Reporting period (January to June)	Corresponding period of the previous year	Increase/(decrease) for the reporting period as compared to the corresponding period of the previous year (±%)
Operating profit/(loss)	1,388,799	(818,234)	269.73
Total profit/(loss)	1,469,660	(732,964)	300.51
Net profit/(loss)	1,041,639	(795,421)	230.95
Net profit/(loss) excluding non-recurring gains or losses	972,098	(879,123)	210.58
Basic earnings per share (RMB)	0.1353	(0.1033)	230.95
Diluted earnings per share (RMB)	N/A	N/A	N/A
Return on net assets (%)	3.86	(3.10)	increased by 6.96 percentage points
Net cash flows from operating activities	(514,205)	6,358,176	(108.09)
Net cash flows per share from operating activities (RMB)	(0.0667)	0.8257	(108.09)

Items and amounts of non-recurring gains or losses for the current reporting period (RMB'000):

Item	Amount
Net gain from disposal of non-current assets	2,118
Other non-operating income and expenses	(418)
Government subsidies	39,305
Amortisation of deferred income	39,856
Fair value gains and losses of financial assets held for trading	(88)
Dividend from financial assets held for trading	4
Income tax effect	(9,516)
Non-recurring gains or losses attributable to minority shareholders	(1,720)
Total net non-recurring gains or losses	<u>69,541</u>

III. Movements in Share Capital and Major Shareholding Structure

1. MOVEMENT IN THE COMPANY'S SHAREHOLDING STRUCTURE

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	Others	Sub-total	Number of shares	(%)
I. Shares subject to selling restrictions									
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic shares									
Including:									
Shares owned by domestic legal persons	-	-	-	-	-	-	-	-	-
Shares owned by domestic natural persons	-	-	-	-	-	-	-	-	-
4. Foreign owned shares									
Including:									
Shares owned by foreign legal persons	-	-	-	-	-	-	-	-	-
Shares owned by foreign natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to selling restrictions	7,700,681,186	100	-	-	-	-	-	7,700,681,186	100
1. RMB-denominated ordinary shares	5,967,751,186	77.50	-	-	-	-	-	5,967,751,186	77.50
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	<u>7,700,681,186</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>	<u>7,700,681,186</u>	<u>100</u>

Note: The above RMB-denominated ordinary shares not subject to selling restrictions include 55,863,927 A shares held by Holding, the controlling shareholder, due to the shares acquisition plan and 3,886 A shares held respectively by two current directors each, Mr. Gu Jianguo and Mr. Su Jianguang.

2. THE NUMBER OF SHAREHOLDERS AND SHAREHOLDING STRUCTURE

(1) The number of shareholders and details of top ten shareholders

Total number of shareholders As at the end of the reporting period, the Company had a total of 414,878 shareholders.

Shareholding of top ten shareholders:

Unit: Shares

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	—	—
HKSCC (Nominees) Limited	Foreign shareholder	22.17	1,707,203,897	—	Unknown
中國建設銀行—鵬華價值優勢股票型證券投資基金	Others	0.96	74,000,000	—	Unknown
中國工商銀行—南方成份精選股票型證券投資基金	Others	0.33	25,391,677	—	Unknown
中國銀行—嘉實滬深300指數證券投資基金	Others	0.19	14,959,351	—	Unknown
中國銀行—華寶興業先進成長股票型證券投資基金	Others	0.19	14,499,781	—	Unknown
中國建設銀行—上投摩根中國優勢證券投資基金	Others	0.16	12,345,425	—	Unknown
中國工商銀行—華夏滬深300指數證券投資基金	Others	0.13	10,111,124	—	Unknown
王勇	Others	0.12	9,000,000	—	Unknown
中國工商銀行—景順長城精選藍籌股票型證券投資基金	Others	0.12	8,992,453	—	Unknown

Shareholding of top ten shareholders without selling restrictions:

Name of shareholder	Number of shares held without selling restrictions	Type of shares
Magang (Group) Holding Company Limited	3,866,423,927	RMB-denominated ordinary shares
HKSCC (Nominees) Limited	1,707,203,897	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	74,000,000	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	25,391,677	RMB-denominated ordinary shares
中國銀行—嘉實滬深300指數證券投資基金	14,959,351	RMB-denominated ordinary shares
中國銀行—華寶興業先進成長股票型證券投資基金	14,499,781	RMB-denominated ordinary shares
中國建設銀行—上投摩根中國優勢證券投資基金	12,345,425	RMB-denominated ordinary shares
中國工商銀行—華夏滬深300指數證券投資基金	10,111,124	RMB-denominated ordinary shares
王勇	9,000,000	RMB-denominated ordinary shares
中國工商銀行—景順長城精選藍籌股票型證券投資基金	8,992,453	RMB-denominated ordinary shares

III. Movements in Share Capital and Major Shareholding Structure (Continued)

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

There was no connected relationship between Holding and any of the afore-mentioned shareholders, nor were they concerted parties. However, the Company is not aware of whether the other shareholders mentioned above had connected relationships 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 1,707,203,897 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 2010 were as follows:

Name of shareholder	Capacity as holder or deemed holder of interests	Number of shares interested or deemed interested (Shares)	Approximate percentage of the Company's issued H shares (%)
JPMorgan Chase & Co.	Note 1	132,908,703 (Long position)	7.67
		16,723,949 (Short position)	0.97
	Not applicable	114,835,598 (Available-for-lending shares)	6.63
Morgan Stanley	Interests held by legal entities controlled by the substantial shareholder	96,921,738 (Long position)	5.59
		89,583,604 (Short position)	5.17
UBS AG	Note 2	192,281,171 (Long position)	11.10
		29,633,432 (Short position)	1.71
The Bank of New York Mellon Corporation	Interests held by legal entities controlled by the substantial shareholder	89,197,128 (Long position)	5.15
	Not applicable	43,921,128 (Available-for-lending shares)	2.53
Blackrock, Inc	Interests held by legal entities controlled by the substantial shareholder	95,334,592 (Long position)	5.50
		13,410,192 (Short position)	0.77
Citigroup Inc.	Note 3	86,386,564 (Long position)	4.99
		34,488,600 (Short position)	1.99
	Not applicable	46,438,944 (Available-for-lending shares)	2.68

Note 1: JPMorgan Chase & Co. has a long position of 18,073,105 shares and a short position of 16,723,949 shares as the actual owner; and a long position of 114,835,598 shares as the custodian.

Note 2: UBS AG has a long position of 111,054,858 shares and a short position of 9,182,432 shares as the actual owner; a long position of 81,224,970 shares and a short position of 20,451,000 shares in the form of interests held by legal entities controlled by the substantial shareholder; and a long position of 1,343 shares as an entity entitled to guaranteed interests in the shares.

Note 3: Citigroup Inc. has a long position of 46,438,944 shares as the custodian; and a long position of 39,947,620 and a short position of 34,488,600 shares in the form of interests held by legal entities controlled by the substantial shareholder.

IV. Bonds with Warrants

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

Name of bond holder	Number of bonds held
China Pacific Life Insurance Co., Ltd.	549,146,000
Ping An Insurance (Group) Company of China, Ltd	414,046,000
China Life Reinsurance Co., Ltd	383,595,000
China Marine Finance Co., Ltd.	336,830,000
China Continent Property & Casualty Insurance Company Ltd.	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
ICBC—China Southern Principal Protected Fund	211,476,000
Sino Life Insurance Co., Ltd.	162,196,000

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

V. Directors, Supervisors and Senior Management

As at the end of the reporting period, current Directors Mr. Gu Jianguo and Mr. Su Jiengang 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 2010, 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 corporations.

The Articles of Association of the Company has set out clearly the code of behavior 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 on The Stock Exchange of Hong Kong Limited.

Mr. Su Shihuai was appointed as Deputy General Manager and Chief Engineer of the Company at the eleventh meeting of the sixth session of the Board of the Company held on 31 December 2009. The term of office of Mr. Su commenced on 1 January 2010 and ends on 31 August 2011. Save as disclosed herein, there was no new appointment or removal of other directors, supervisors and senior management during the reporting period.

VI. Report of the Directors

1. THE MACRO ENVIRONMENT FOR PRODUCTION AND OPERATION

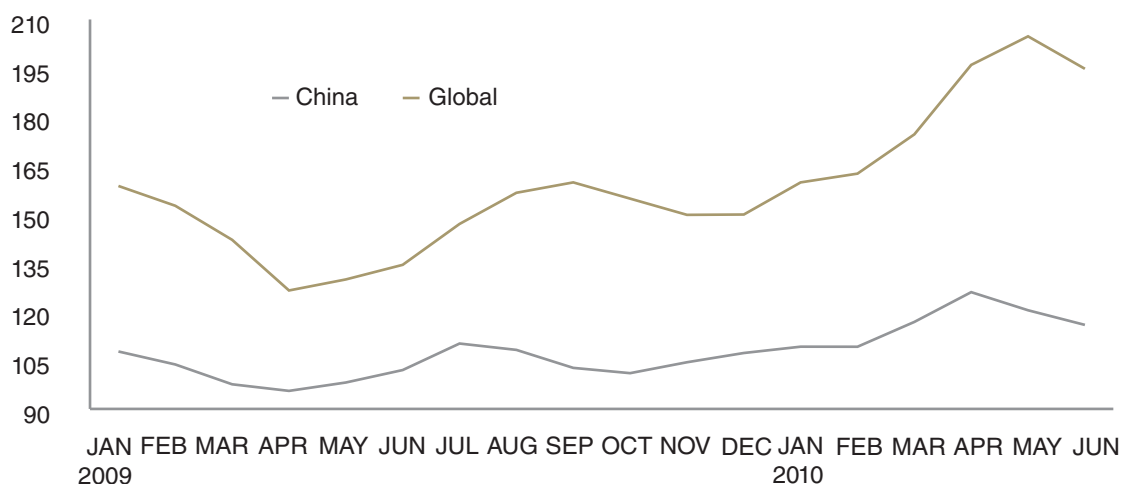
In the first half of the year, the overall global economy was on the road to recovery, witnessed by rising steel prices as a result of growing international demand for iron and steel. As at the end of June, the price index for global steel products was 198.4, representing an increase of 44.94% year-on-year.

China's national economy performed well and continued to develop towards the expected direction of China's macro-economic control measures. In the first half of the year, GDP grew by 11.1%, representing an increase of 3.7 percentage points year-on-year. Social fixed asset investment grew by 25.0%, representing a decrease of 8.5 percentage points year-on-year.

Despite increased market demand, the oversupply problem in the steel product market remained acute because of the overcapacity and high output of the domestic iron and steel industry. Prices of steel products in the domestic market have been rising month by month since the beginning of the year. The consolidated price index for steel products was 125.98 as at the end of April, representing an increase of 31.83% year-on-year. Prices of steel products began to fall in May due to market expectations of a drop influenced by the State's introduction of policies to regulate the real estate market and other sectors. The consolidated price index for steel products as at the end of June was 115.89, representing a slowed increase of 13.64% year-on-year.

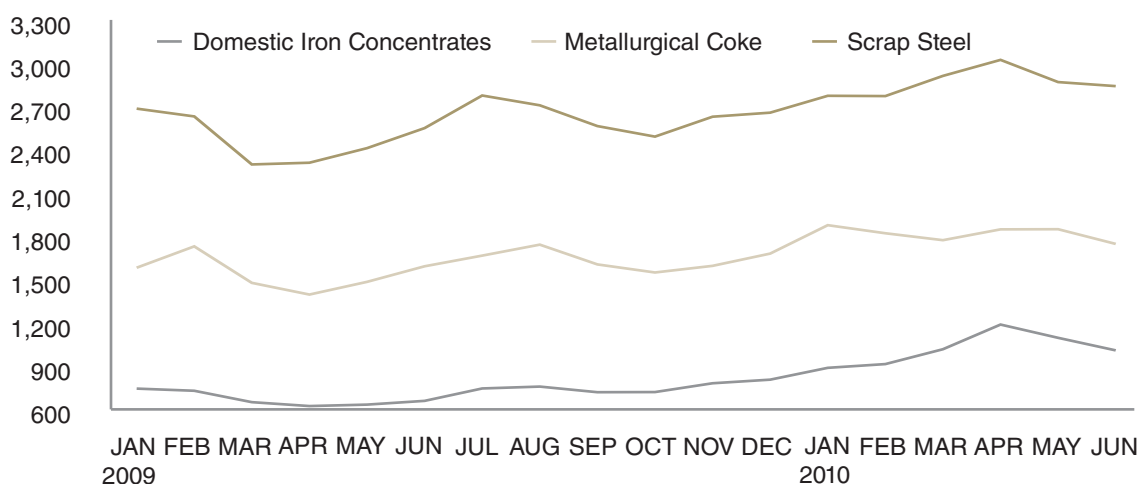
As for imports and exports, China's exports of iron and steel products increased substantially while imports dropped significantly due to a rebounding demand for steel products in the international market and the relatively fast pace of economic recovery in Asian countries. Aggregated nationwide imports and exports of steel products and steel billets from January to June amounted to an equivalent of net export of crude steel of 15,970,000 tonnes, representing an increase of more than 12 times as compared to the corresponding period of the previous year.

Consolidated Price Indices for Global and Domestic Steel Products since 2009



On the cost front, the rising prices of externally purchased raw materials and fuels for iron and steel enterprises in the first half caused great difficulties to the production and operation of iron and steel enterprises. From January to June, out of the procurement costs of nationwide large and medium-sized iron and steel enterprises, prices of coking coal were up 31.6% year-on-year; prices of injection coal were up 21.3%; and prices of domestic iron concentrates were up 45.8%. In the first half, the average CIF cost of China's imported iron ore was US\$111.5/tonnes, up 46.4% year-on-year. In particular, the average CIF cost in June was as high as US\$138.95/tonnes, up 105.27% year-on-year. The room for iron and steel enterprises to make profits was compressed, resulting in low sales margins in the industry.

Price of Externally Purchased Raw Materials and Fuels for Nationwide Large and Medium-sized Iron and Steel Enterprises since 2009



2. PRODUCTION AND OPERATION OF THE COMPANY

Faced with such challenging external situations, the Company remained closely focused on “building competitive advantages, improving profitability” as its business theme and adhered to the core elements of “product variety, quality and cost”, while strengthening business efforts and implemented business initiatives to achieve satisfactory results in its production operations.

During the reporting period, the Company's major work included:

- Unleashed the potential further and boosted cost reduction and efficiency enhancement.** After consolidating the results of cost reduction and efficiency enhancement, and improving the long-term mechanism last year, the Company further strengthened its business efforts and implemented an annual cost reduction and efficiency enhancement plan. During the reporting period, the Group produced a total of 7,230,000 tonnes of pig iron, 7,680,000 tonnes of crude steel and 7,340,000 tonnes of steel products respectively, representing year-on-year increases of 7.11%, 8.47% and 9.72% respectively (in which the Company produced 6,560,000 tonnes of pig iron, 6,950,000 tonnes of crude steel and 6,620,000 tonnes of steel products respectively, representing year-on-year increases of 7.19%, 9.28% and 10.70% respectively).



VI. Report of the Directors (Continued)

- **Improved product mix and increased the proportion of key products.** The Company continued to improve its product mix by strengthening research, production and marketing as well as optimizing resource allocation to increase the output of key products such as plates of automobile and home electrical appliances and pipeline steel. The proportion of these products out of the Company's steel products has increased.
- **Enhanced quality and improved the quality management system.** During the reporting period, the Company strengthened the quality control of fuels, raw materials and ancillary materials through the implementation of various initiatives such as closed management of raw materials warehouses, improvement of test methods for directly supplied scrap steel and enhancement of quality inspection of scrap steel delivered from warehouses. Meanwhile, the quality and safety accountability and control systems for major products were strengthened and improved by formulating quality and cost management methods to further improve the Company's quality management system.
- **Monitored the market closely and adapted to market changes.** The Company placed emphasis on the market trends for fuels, raw materials and steel products, carried out researches on such trends, and revised its marketing and procurement strategies as well as its product mix and fuel and raw materials portfolios in a timely manner. During the reporting period, the Group's total sales of steel products amounted to 7,260,000 tonnes, in which sales of steel plates, section steels, wire rods, train wheels and rims amounted to 3,660,000 tonnes, 1,260,000 tonnes, 2,280,000 tonnes and 60,000 tonnes respectively.
- **Developed a recycling economy and enhanced the effectiveness of energy conservation and emissions reduction.** Energy utilisation efficiency was improved by rolling out an integrated "production, supply and use" operation mode, strengthening energy conservation during work processes and establishing a problem-tracking assessment mechanism as well as incentive policies. In the first half, overall energy consumption per tonne of steel amounted to 639 kg of standard coal (*Note*), fresh water consumption per tonne of steel amounted to 4.7 cubic meters and self-generated power accounted for 66.63% of total power consumption. As to technological upgrade of energy conservation, the Company received a financial award of RMB23.06 million from the national project for energy conservation and integrated resources utilisation.

Note: According to the requirements of the "Notice Regarding Unified Revision to the Power Conversion Standard Coefficients in Energy Statistics" (CISA Letter No. 4 [2006]) of the China Iron and Steel Association, equivalent conversion coefficient 1.229 will be used exclusively to calculate the standard coal coefficients for power conversion from January 2006.

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

- The iron and steel segment accounted for approximately 96.06% of income from principal operation, as well as accounted for approximately 110.05% of the gross profit from principal operation (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 (± percentage points)
Iron and steel	29,003	26,458	8.77	34.35	23.47	8.04
Product segment						
Steel plates	15,445	13,816	10.55	61.24	38.91	14.38
Section steels	4,583	4,347	5.15	31.47	22.07	7.30
Wire rods	8,178	7,586	7.24	10.68	4.66	5.33
Train wheels and rims	540	489	9.44	-52.04	-26.69	-31.32

The amount involving connected transactions which arose from the Company's selling of its products and providing labor services to the controlling shareholder and its subsidiaries totalled RMB51 million during the reporting period.

The gross profit margins of steel plates, section steels and wire rods increased as compared to the corresponding period of the previous year, which was due to increases in sales prices of these products during the reporting period as compared to the corresponding period of the previous year. The gross profit margins of trains wheels and rims decreased as compared to the corresponding period of the previous year, which was due to an increase in fixed unit cost arising from a decrease in sales volume and decreases in sales prices.

VI. Report of the Directors (Continued)

- **Geographical analysis of the Group's operating income (RMB million):**

Region	Ratio(%)	Operating income	Year-on-year increase/ (decrease) of operating income (±%)
Anhui	44.30	14,033	-12.13
Jiangsu	14.49	4,590	75.06
Zhejiang	8.97	2,840	68.65
Shanghai	9.66	3,060	179.96
Guangdong	8.50	2,693	274.03
Other PRC regions	10.99	3,480	231.74
Exports	3.09	980	243.86

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

Compared to the corresponding period of the previous year, the Group's operating income increased by 35.23% year-on-year, which was mainly due to increases in sales volume and average prices of steel products during the reporting period. Cost of sales increased by 25.66% year-on-year, which was mainly due to an increase in steel production volume and increases in prices of raw materials and fuels during the reporting period. Operating tax and surcharges increased by 143.04% year-on-year, which was mainly due to increases in sales revenues during the reporting period. Selling expenses had no material difference. Administrative expenses increased by 18.80% year-on-year, which was mainly due to increases in staff costs, technology development costs and office building rentals during the reporting period. Financial expenses decreased by 16.05% year-on-year, mainly due to a decrease in the average amount of bank loans during the reporting period. Operating profit, total profit and net profit attributable to equity holders of the Company increased by 269.73%, 300.51% and 230.95% year-on-year respectively, which were mainly due to an increase in sales volume during the reporting period and average prices of steel products increased year-on-year.

The operating profit margin was 8.11%, an increase of 7 percentage points as compared to the corresponding period of the previous year due to increase in sales volume during the reporting period and average price of the steel products increased year-on-year.

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

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 amounted to approximately RMB71 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 RMB12 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 coal gas. Net profit for the reporting period amounted to approximately RMB95 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 RMB37 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 RMB48 million.

6. FINANCIAL POSITION AND EXCHANGE RISKS

As at 30 June 2010, the total amount of loans borrowed by the Group amounted to RMB14,379 million, including loans of RMB1,267 million for working capital and long-term loans of RMB13,112 million. Except for foreign currency loans amounting to US\$829 million, all other loans were denominated in Renminbi. Except for US dollar loans which carried interests at a LIBOR plus a fixed percentage, all other loans of the Group carried interests calculated at fixed interest rates. The amounts of all the Group's loans varied according to the scale of production and construction projects. No overdue loans have been recorded so far.

As at 30 June 2010, in accordance with China Accounting Standards for Business Enterprises, the Group's gearing ratio (total liabilities/total assets) was 60.08%. Under the Hong Kong Financial Reporting Standards, the Group's gearing ratio (total liabilities/total assets) was 60.24%.

VI. Report of the Directors (Continued)

As at the end of the reporting period, bank commitments to provide banking facilities to the Group amounted to approximately RMB57,223 million.

As at 30 June 2010, the Group's cash and balances with financial institutions amounted to RMB6,814 million. Bills receivable amounted to RMB6,835 million (of which bankers' acceptance bills due within three months amounted to RMB5,409 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 RMB to US dollar appreciated in the first half of 2010, a small amount of exchange gain was resulted 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 has no direct adverse impact to the Company. During the reporting period, the payment amount of facilities purchased in Europe and Japan was insignificant and as a result, the impact of foreign exchange fluctuations on procurement payment was relatively small. During the reporting period, as the borrowing rates of US dollar loan were lower than that of RMB loan, along with the depreciation of US dollar, the Company has increased part of the US financing while reducing part of RMB financing.

7. INVESTMENTS

- During the reporting period, the Group's expenses on construction projects amounted to RMB280 million, representing a decrease of 77.95% over the previous year.
- Major Investment Projects Financed by Non-Fundraising Proceeds: (RMB million)

Project name	Total investment	Construction progress
Recovered coal gas power generation project at the thermal power plant	220	Under construction
Coal moisture controlling project at the coke plant	54	Preparatory stage before construction
Mold alloy plating project at No.2 machinery plant	45	Equipment installation
CRH Train Wheel Steel Project	2,944	Under construction
No.2 Iron Making Plant Comprehensive Utilisation of Converter Sludge Project	50	Preparatory stage before construction
Hydrogenation of Benzene Project for Masteel Coke Making Plant	320	Preparatory stage before construction completed

8. STATUS OF INTERNAL CONTROL

Pursuant to the “Basic Standards for Internal Control of Enterprises” jointly published by the Ministry of Finance in conjunction with the CSRC, the National Audit Office, the CBRC and the CIRC (the “five ministries and commissions”), the Company has established an internal control system that covers the whole process of production and operation management. 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.

In the second half, in order to continue improving the internal control system, the Company will make amendments to the “Internal Control Manual” according to the “Complete Internal Control Guidelines for Enterprises” issued by the five ministries and commissions on 15 April 2010 to ensure that the internal control system of the Company is effective all the time.

9. THE ENVIRONMENT FOR PRODUCTION AND OPERATION AND COPING STRATEGIES

In the second half, recovery will be the mainstream of global economic development. However, the major financial risks accumulated in some nations during the recovery process will also create a certain negative impact on the sustained recovery of the global economy. China will continue to implement a proactive fiscal policy and a moderately relaxed monetary policy. It will put high regard on regulating the intensity, pace and focus of these policies while strengthening their pertinence and flexibility, striving to maintain steady and rapid economic development.

An array of policies and measures for the iron and steel industry was successively introduced in China during the first half of the year for strengthening energy conservation, emissions reduction and elimination of obsolete production capacity. Such policies and measures have provided specific implementation opinions on energy conservation, emissions reduction, elimination of obsolete production capacity, structural adjustment and production and operation order in respect of the industry. The introduction and implementation of such policies will help narrow the gap between supply and demand in the steel product market and stabilise the market. However, due to an overcapacity of the industry, the problem of oversupply is still acute. Meanwhile, with the impact of some policies such as the reform of the mechanism for setting the RMB exchange rate and the revisions of export tax rebates for steel products, the domestic steel product market will fluctuate unsteadily between middle and low prices during most of the time in the second half of the year. Meanwhile, as iron and steel enterprises will come under greater pressure from steel costs, they will continue to encounter a very challenging situation in production operation.



VI. Report of the Directors (Continued)

Faced with the above situations, during the second half of the year, the Company will continue to focus on “product variety, quality and cost”, refine initiatives and strengthen the implementation of these initiatives, striving to achieve various work objectives for the year. Its major initiatives are as follows:

- Implement the product mix adjustment plan as the main theme in the second half of the year, increase the output of key products and improve the overall competitiveness of the product mix.
- Improve the procurement structure and the materials consumption structure, implement stringent inspection of fuels and raw materials, reduce procurement costs and ensure the quality of deliveries.
- Enhance quality control during the production process, implement a quality accountability system and a system for the pursuance of quality liability, so as to ensure profitability with quality and improve the Company’s brand image with quality.
- Carry out benchmarking management and potential unleashing further so as to upgrade the overall indicator level of the Company on an ongoing basis.
- Keep abreast of market trends so as to capitalise on market trends and hedge against risks, and open up new markets while stabilising existing ones.

VII. 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 Hong Kong Stock Exchange 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

On 8 June 2010, the 2009 profit distribution plan was reviewed and approved at the annual general meeting of the Company. Accordingly, the Company distribute cash dividend of RMB0.04 (tax inclusive) per share to all shareholders and H share's dividend will be paid in Hong Kong dollar. The relevant details were disclosed on Shanghai Securities News and websites of Shanghai Stock Exchange and Hong Kong Stock Exchange pursuant to the requirements. On 28 July 2010, A share's dividend was transferred and the cheques for H share's dividend was sent by post to all H share shareholders.

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

- *Cash dividend policy of the Company*

According to sub-clause (4) in Article 184 of the Articles, abiding by 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 of the Company, dividends will be distributed to shareholders in proportion to their shareholdings and the Company's cash dividend policy should be maintained on a continuous and stable basis.

- The Company did not implement profit distribution including cash dividends for the first half of 2010 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.

VII. Significant Matters (Continued)

4. During the reporting period, save for 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: shares; amount: RMB):

Item no.	Securities code	Abbreviation	Number of shares held at the end of the reporting period	Initial investment amount	Book value at the end of the reporting period	Book value at the beginning of the reporting period	Item category in accounting
1	601857	PetroChina	35,000	584,500	449,400	483,700	Held-for-trading financial assets
2	601390	China Railway Group	33,000	158,400	191,400	207,900	Held-for-trading financial assets
3	601898	China Coal	12,000	201,960	140,040	162,960	Held-for-trading financial assets
4	601186	China Railway Construction Corporation Limited	20,000	181,600	168,600	182,800	Held-for-trading financial assets
Total				1,126,460	949,440	1,037,360	

5. During the reporting period, there were no 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 2010, 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.

- Connected Transactions Conducted Pursuant to “Sale and Purchase of Ore Agreement”
The “Sale and Purchase of Ore Agreement” for 2007 to 2009 the Company entered into with Holding on 18 October 2006, which was approved at the extraordinary general meeting held on 14 December 2006, expired on 31 December 2009.

To ensure that the Company has sufficient ore to meet the production demands, Holding agreed to continuously provide the Company with ore on a first priority basis. The Company entered into the “Sale and Purchase of Ore Agreement” for 2010 to 2012 with Holding on 15 October 2009 which was subsequently approved at the extraordinary general meeting held on 15 December 2009.

- During the reporting period, the payment made by the Company to Holding in respect of the “Sale and Purchase of Ore Agreement” for 2010 to 2012 were as follows (RMB'000):

	<u>Amount paid</u>	<u>Proportion of transaction of the same category (%)</u>
Purchase of iron ore, limestone and dolomite	1,016,940	15

The price of iron ore per tonne purchased every year by the Company from Holding shall be determined between the two parties on a half-year basis during the term of the agreement. The price per tonne for a particular first half-year shall first be arrived at, through arm's length negotiations, with reference to the weighted average price per tonne of the same type of iron ore supplied by the three largest independent suppliers and delivered to the Company's vicinity at Maanshan City of Anhui Province in the PRC in the second half of the preceding year, and the price per tonne shall be further adjusted retrospectively at the end of that first half-year and shall not be higher than the three largest independent suppliers' weighted average price per tonne for that first half-year. The price per tonne for the second half-year shall first be arrived at, through arm's length negotiations, with reference to the three largest independent suppliers' weighted average price per tonne for the first half-year, and the price shall be further adjusted retrospectively at the end of the second half-year and shall not be higher than the three largest independent suppliers' weighted average price per tonne for that second half-year.

The respective prices of limestone and dolomite per tonne purchased every year by the Company from Holding shall be determined between the two parties on a half-year basis during the term of the agreement. The respective prices per tonne of a particular first half-year shall first be arrived at, through arm's length negotiations, with reference to the respective weighted average prices per tonne of limestone and dolomite supplied by the respective three largest independent suppliers and delivered to the Company's vicinity at Maanshan City of Anhui Province in the PRC in the second half of the preceding year, and the respective prices per tonne shall be further adjusted retrospectively at the end of that first half-year and shall not be higher than the respective three largest independent suppliers' weighted average prices per tonne for that first half-year. The respective prices per tonne for the second half-year shall first be arrived at, through arm's length negotiations, with reference to the respective three largest independent suppliers' weighted average prices per tonne for the first half-year; and the respective prices shall be further adjusted retrospectively at the end of the second half-year and shall not be higher than the respective three largest independent suppliers' weighted average prices per tonne for that second half-year.

VII. Significant Matters (Continued)

- During the reporting period, save for the connected transactions made pursuant to the aforementioned “Sale and Purchase of Ore Agreement”, amounts of other connected transactions in the ordinary course of business with Holding were as follows (RMB’000):

	Amount paid	Proportion of transaction of the same category (%)
Steel products and other products purchased by Holding from the Company	1,837	0.01
Water, electricity, telephone and other services acquired by Holding from the Company	49,616	45.62
Payment by the Company for fixed assets and construction services	43,082	14.87
Payment by the Company to Holding for other services	114,415	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 transactions 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 2010, save for ordinary business transactions and dividends due to Holding, there was no amount due to or from the Company and the controlling shareholder and its subsidiaries.
- (3) Material contracts with the controlling shareholder
Save for the “Sale and Purchase of Ore Agreement” for 2010 to 2012 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 2010.

7. CAPITAL UTILISATION

As at 30 June 2010, 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	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				-		
Balance of guarantees as at the end of the reporting period				-		
Guarantees provided by the Company for subsidiaries						
Total guarantee amount for subsidiaries during the reporting period				(984)		
Balance of guarantees for subsidiaries at the end of the reporting period				2,873		
Total guarantee amount provided by the Company (including guarantees for subsidiaries)						
Total guarantee amount				2,873		
Total guarantee amount as a percentage of net assets of the Company				10.32%		
Including:						
Guarantee amount provided for shareholders, the de facto controller and connected parties				-		
Guarantee amount provided directly or indirectly for entities with gearing (assets-liabilities) ratio exceeding 70% (Note)				2,500		
Total guarantee amount exceeding 50% of net assets				-		
Total amount of the three guarantees mentioned above				2,500		

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 RMB2,500 million as banking facilities; and such guarantee has been approved at the 2008 annual general meeting.

The guarantees provided to Maanshan Iron & Steel (HK) Limited, a wholly-owned subsidiary, amounted to RMB373 million.



VII. Significant Matters (Continued)

All the guarantees were approved by the Board of the Company beforehand. The guarantees for Ma Steel International Trade and Economic Corporation were only provided for 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.

(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 2010 as well as for the period, which are stated as follows:

- (i) As at 30 June 2010, the approval procedures of all the external guarantees of the Company were legal and in compliance with regulations.
- (ii) As at 30 June 2010, no external guarantees were provided to any controlling shareholder, or to any connected parties or non-legal person entities or individuals in which the Company held less than 50% interests.
- (iii) As at 30 June 2010, the total amount of accumulated and current portions of external guarantees was lower than 50% of the net assets of the Company as reported in the most recent financial year's consolidated financial statements.

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

During the reporting period, 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. During the reporting period, 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, the Company's shareholders, the de facto 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 publication
1	Announcement on Resolutions of the Board of Directors of Maanshan Iron & Steel Company Limited	Page 44, Shanghai Securities News	4 January
2	Announcement on Result of the Issuance of First Phase of Medium Term Note of Maanshan Iron & Steel Company Limited	Page B7, Shanghai Securities News	9 February
3	Announcement on Resolutions of the Board of Directors of Maanshan Iron & Steel Company Limited	Page B237, Shanghai Securities News	31 March
4	Announcement on Resolutions of the Tenth Meeting of the Sixth Session of the Supervisory Committee of Maanshan Iron & Steel Company Limited	Page B237, Shanghai Securities News	31 March
5	Announcement on the Provision of Guarantees by Maanshan Iron & Steel Company Limited to Maanshan Iron & Steel (HK) Limited, a wholly-owned Subsidiary	Page B237, Shanghai Securities News	31 March
6	Announcement on Resolutions of the Board of Directors of Maanshan Iron & Steel Company Limited	Page B70, Shanghai Securities News	21 April
7	Announcement on Resolutions of the Eleventh Meeting of the Sixth Session of the Supervisory Committee of Maanshan Iron & Steel Company Limited	Page B70, Shanghai Securities News	21 April
8	Announcement on the Provision of Guarantees by Maanshan Iron & Steel Company Limited to Maanshan Iron & Steel (HK) Limited, a wholly-owned Subsidiary	Page B70, Shanghai Securities News	21 April
9	Notice of 2009 Annual General Meeting of Maanshan Iron & Steel Company Limited	Page B70, Shanghai Securities News	21 April
10	Announcement on Resolutions Passed at the 2009 Annual General Meeting of Maanshan Iron & Steel Company Limited	Page B21, Shanghai Securities News	9 June
11	Announcement on Resolutions of the Board of Directors of Maanshan Iron & Steel Company Limited	Page B21, Shanghai Securities News	9 June

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

Consolidated Balance Sheet

(Prepared under China Accounting Standards)

30 June 2010

Renminbi Yuan

ASSETS	Note V	30 June 2010 Unaudited	31 December 2009 Audited
CURRENT ASSETS:			
Cash and bank balances	1	6,814,213,536	8,700,317,608
Financial assets held for trading		949,440	1,037,360
Bills receivable	2	6,834,742,855	4,421,189,686
Trade receivables	3	771,995,327	822,930,091
Dividends payable		42,119,078	24,751,198
Prepayments		1,230,915,986	823,338,565
Other receivables	4	734,665,589	268,164,615
Inventories	5	11,900,405,557	8,988,794,051
Total current assets		<u>28,330,007,368</u>	<u>24,050,523,174</u>
NON-CURRENT ASSETS:			
Long term equity investments		1,000,182,290	999,403,592
Investment properties		4,641,411	4,727,175
Fixed assets	6	36,058,240,700	38,272,898,821
Construction materials		220,662,158	223,238,270
Construction in progress	7	1,883,782,056	1,797,954,642
Intangible assets		1,810,010,409	1,855,779,750
Deferred tax assets		447,244,836	779,581,081
Total non-current assets		<u>41,424,763,860</u>	<u>43,933,583,331</u>
TOTAL ASSETS		<u><u>69,754,771,228</u></u>	<u><u>67,984,106,505</u></u>

Consolidated Balance Sheet (Continued)

(Prepared under China Accounting Standards)
30 June 2010
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	30 June 2010 Unaudited	31 December 2009 Audited
CURRENT LIABILITIES:			
Short term loans		1,267,271,624	1,173,245,805
Bills payable	9	5,581,969,416	5,400,287,600
Accounts payable		6,392,844,063	6,315,104,235
Deposits received		6,802,169,484	6,092,362,835
Payroll and benefits payable		223,172,276	275,489,773
Taxes payable	10	(216,017,480)	(85,807,517)
Interests payable		20,025,105	8,138,718
Dividends payable	11	850,479,593	701,538,763
Other payables		998,996,585	753,587,311
Non-current liabilities due within one year		1,518,525,556	816,000,000
Total current liabilities		<u>23,439,382,222</u>	<u>21,449,947,523</u>
NON-CURRENT LIABILITIES:			
Long term loans		11,642,612,400	13,603,960,000
Bonds payable	12	5,245,462,523	5,165,409,845
Medium-term notes		1,017,800,000	-
Deferred income		561,130,781	579,926,538
Total non-current liabilities		<u>18,467,005,704</u>	<u>19,349,296,383</u>
Total liabilities		<u>41,906,387,926</u>	<u>40,799,243,906</u>
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		3,070,258,447	3,057,920,649
Retained profits		8,083,885,700	7,350,273,452
Exchange fluctuation reserve		(1,857,443)	17,419,949
Equity attributable to equity holders of the parent		<u>27,191,326,289</u>	<u>26,464,653,635</u>
Minority interests		657,057,013	720,208,964
Total shareholder's equity		<u>27,848,383,302</u>	<u>27,184,862,599</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>69,754,771,228</u></u>	<u><u>67,984,106,505</u></u>

The financial statements are signed by persons below

Company Representative:
Gu Jianguo
19 August 2010

Chief Accountant:
Su Jianguang
19 August 2010

Head of Accounting Department:
Zhang Qianchun
19 August 2010

Consolidated Income Statement

(Prepared under China Accounting Standards)
For the six months ended 30 June 2010
Renminbi Yuan

	Note V	For the six months ended 30 June	
		2010 Unaudited	2009 Unaudited
Revenue	14	31,676,470,966	23,423,756,972
Less: Cost of sales	14	29,108,534,376	23,164,022,588
Taxes and surcharges		173,895,391	71,549,258
Selling expenses		115,262,315	115,891,502
Administrative expenses		535,595,837	450,856,769
Financial expenses	15	428,089,275	509,930,351
Assets impairment losses	16	13,906,462	12,241,344
Add: Gain/(loss) on fair value changes		(87,920)	271,500
Investment income	17	87,699,598	82,229,365
including: share of profits of associates and jointly controlled entities		82,901,417	74,167,291
Operating profit/(loss)		1,388,798,988	(818,233,975)
Add: Non-operating income		81,279,445	86,628,393
Less: Non-operating expenses		418,009	1,358,628
including: net (gain)/loss on disposal of non-current assets		(2,118,190)	(2,514,845)
Profit/(loss) before tax		1,469,660,424	(732,964,210)
Less: Income tax	18	390,186,567	7,733,268
Net profit/(loss)		1,079,473,857	(740,697,478)
Attributable to:			
Equity holders of the parent		1,041,639,495	(795,420,710)
Minority interests		37,834,362	54,723,232
EARNINGS PER SHARE:			
Basic	19	13.53 cents	(10.33) cents
Diluted		N/A	N/A
Other comprehensive income	20	(19,277,392)	33,705,044
Total comprehensive income/(loss)		1,060,196,465	(706,992,434)
Attributable to:			
Equity holders of the parent		1,022,362,103	(761,715,666)
Minority interests		37,834,362	54,723,232

Consolidated Statement of Changes in Equity

(Prepared under China Accounting Standards)

For the six months ended 30 June 2010

Renminbi Yuan

30 June 2010

	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 2010	7,700,681,186	8,338,358,399	3,057,920,649	7,350,273,452	17,419,949	26,464,653,635	720,208,964	27,184,862,599
2. Increase/(decrease) during the period								
1) Net profit	-	-	-	1,041,639,495	-	1,041,639,495	37,834,362	1,079,473,857
2) Other comprehensive income	-	-	-	-	(19,277,392)	(19,277,392)	-	(19,277,392)
Total comprehensive income	-	-	-	1,041,639,495	(19,277,392)	1,022,362,103	37,834,362	1,060,196,465
3) Capital contribution and withdrawal by shareholders								
1. Capital withdrawal by shareholders	-	-	-	-	-	-	(32,790,825)	(32,790,825)
2. Others	-	-	12,337,798	-	-	12,337,798	5,039,382	17,377,180
4) Profits appropriation								
1. Dividend declared	-	-	-	(308,027,247)	-	(308,027,247)	(73,234,870)	(381,262,117)
5) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
3. At 30 June 2010	7,700,681,186	8,338,358,399	3,070,258,447	8,083,885,700	(1,857,443)	27,191,326,289	657,057,013	27,848,383,302

Consolidated Statement of Changes in Equity (Continued)

(Prepared under China Accounting Standards)

For the six months ended 30 June 2010

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) Capital contribution and withdrawal by shareholders								
1. Capital contribution by shareholders	-	-	-	-	-	-	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>

Consolidated Cash Flow Statement

(Prepared under China Accounting Standards)
For the six months ended 30 June 2010
Renminbi Yuan

		For the six months ended 30 June	
		2010	2009
		Unaudited	Unaudited
1.	Cash flows from operating activities:		
	Cash received from sale of goods or rendering of services	37,201,460,117	26,178,487,296
	Refunds of taxes	–	14,932,173
	Cash received relating to other operating activities	21 39,305,498	49,515,878
	Sub-total of cash inflows	37,240,765,615	26,242,935,347
	Cash paid for goods and services	(33,621,163,366)	(16,469,310,439)
	Cash paid to and on behalf of employees	(1,833,031,852)	(1,594,024,407)
	Cash paid for all taxes	(1,933,595,981)	(1,485,132,290)
	Cash paid relating to other operating activities	21 (367,179,070)	(336,292,660)
	Sub-total of cash outflows	(37,754,970,269)	(19,884,759,796)
	Net cash flows from operating activities	22 (514,204,654)	6,358,175,551
2.	Cash flows from investing activities:		
	Cash received from returns on investments	116,572,507	45,757,418
	Net cash received from disposal of fixed assets, intangible assets and other long term assets	20,013,991	8,757,482
	Cash received from decrease of pledged deposits	1,319,849,124	–
	Cash received relating to other investing activities	21 49,432,000	30,490,000
	Sub-total of cash inflows	1,505,867,622	85,004,900
	Cash paid for acquisitions of fixed assets, intangible assets and other long term assets	(778,669,720)	(1,959,496,184)
	Cash paid for investments	(4,900,000)	(9,500,000)
	Cash paid due to increase in pledged deposits, net	–	(3,847,026,861)
	Sub-total of cash outflows	(783,569,720)	(5,816,023,045)
	Net cash flows from investing activities	722,297,902	(5,731,018,145)

Consolidated Cash Flow Statement (Continued)

(Prepared under China Accounting Standards)
For the six months ended 30 June 2010
Renminbi Yuan

	Note V	For the six months ended 30 June	
		2010 Unaudited	2009 Unaudited
3. Cash flows from financing activities:			
Cash received from capital contribution		–	30,152,736
including: capital contribution by minority shareholders received by subsidiaries		–	30,152,736
Cash received from borrowings		6,386,977,124	14,758,798,523
Sub-total of cash inflows		6,386,977,124	14,788,951,259
Cash repayments of borrowings		(6,571,617,805)	(13,050,925,932)
Cash paid for distribution of dividend or profits and for interest expenses		(502,017,320)	(440,404,521)
including: dividend paid to minority shareholders by subsidiaries		(25,566,752)	(9,973,570)
Sub-total of cash outflows		(7,073,635,125)	(13,491,330,453)
Net cash flows from financing activities		(686,658,001)	1,297,620,806
4. Effect of foreign exchange rate changes on cash		(61,318,195)	24,210,708
5. Net increase/(decrease) in cash and cash equivalents		(539,882,948)	1,948,988,920
Add: Balance of cash and cash equivalents at beginning of period		5,502,947,835	5,437,367,246
6. Balance of cash and cash equivalents at end of period	23	4,963,064,887	7,386,356,166

Company Balance Sheet

(Prepared under China Accounting Standards)
For the six months ended 30 June 2010
Renminbi Yuan

ASSETS	Note XII	30 June 2010 Unaudited	31 December 2009 Audited
CURRENT ASSETS:			
Cash and bank balances		3,318,283,578	5,809,069,109
Financial assets held for trading		949,440	1,037,360
Bills receivable		6,113,231,579	4,183,146,951
Trade receivables	1	1,256,953,916	1,071,371,524
Dividends receivables		205,566,957	24,751,198
Prepayments		1,752,918,724	571,602,521
Other receivables	2	30,361,377	29,344,892
Inventories		9,899,517,477	7,729,440,621
Total current assets		<u>22,577,783,048</u>	<u>9,419,764,176</u>
NON-CURRENT ASSETS:			
Long term equity investments		2,176,770,753	2,181,564,626
Investment properties		17,999,035	18,404,084
Fixed assets		34,126,012,576	36,293,704,502
Construction materials		193,475,799	221,471,149
Construction in progress		1,569,142,441	1,505,126,557
Intangible assets		1,222,156,743	1,238,079,244
Deferred tax assets		439,902,997	767,989,564
Total non-current assets		<u>39,745,460,344</u>	<u>42,226,339,726</u>
TOTAL ASSETS		<u><u>62,323,243,392</u></u>	<u><u>61,646,103,902</u></u>

Company Balance Sheet (Continued)

(Prepared under China Accounting Standards)
For the six months ended 30 June 2010
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

	30 June 2010 Unaudited	31 December 2009 Audited
Short term loans	271,640,000	–
Bills payable	2,885,650,000	3,057,932,063
Accounts payable	5,589,823,252	5,743,462,652
Deposits received	5,684,729,548	5,584,922,592
Payroll and benefits payable	156,268,268	208,145,931
Taxes payable	(122,909,829)	(66,882,101)
Interests payable	19,959,855	8,039,421
Dividends payable	802,811,475	701,538,763
Other payables	854,051,948	710,762,838
Non-current liabilities due within one year	1,504,525,556	816,000,000
	<hr/>	<hr/>
Total current liabilities	17,646,550,073	16,763,922,159

NON-CURRENT LIABILITIES:

Long term loans	11,593,753,400	13,577,000,000
Bonds payable	5,245,462,523	5,165,409,845
Medium-term notes	1,017,800,000	–
Deferred income	544,772,781	562,619,538
	<hr/>	<hr/>
Total non-current liabilities	18,401,788,704	19,305,029,383

Total liabilities

36,048,338,777

36,068,951,542

SHAREHOLDERS' EQUITY:

Share capital	7,700,681,186	7,700,681,186
Capital reserve	8,338,358,399	8,338,358,399
Surplus reserves	2,873,596,445	2,873,596,445
Retained profits	7,362,268,585	6,664,516,330
	<hr/>	<hr/>

Total shareholders' equity

26,274,904,615

25,577,152,360

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

62,323,243,392

61,646,103,902

Company Income Statement

(Prepared under China Accounting Standards)
For the six months ended 30 June 2010
Renminbi Yuan

	Note XII	For the six months ended 30 June	
		2010 Unaudited	2009 Unaudited
Revenue	4	31,963,584,669	24,182,476,153
Less: Cost of sales	4	29,916,137,387	24,201,237,844
Taxes and surcharges		158,638,006	58,382,170
Selling expenses		104,339,055	108,302,864
Administrative expenses		423,653,025	360,043,112
Financial expenses		339,152,431	482,605,577
Assets impairment losses	5	13,906,462	12,241,344
Add: Gain/(loss) on fair value changes		(87,920)	271,500
Investment income	6	254,665,451	100,080,394
including: share of profits of associates and jointly controlled entities		82,228,847	74,162,290
Operating profit/(loss)		1,262,335,834	(939,984,864)
Add: Non-operating income		71,909,842	77,914,465
Less: Non-operating expenses		379,607	1,297,056
including: net loss/(profit) on disposal of non-current assets		(1,347,085)	(2,124,795)
Profit/(loss) before tax		1,333,866,069	(863,367,455)
Less: Income tax		328,086,567	(3,037,924)
Net profit/(loss)		1,005,779,502	(860,329,531)
Other comprehensive income		—	—
Total comprehensive income/(loss)		1,005,779,502	(860,329,531)



Company Statement of Changes in Equity

(Prepared under China Accounting Standards)

For the six months ended 30 June 2010

Renminbi Yuan

30 June 2010

	Share capital	Capital reserve	Surplus reserves	Retained profits	Total shareholders' equity
1. At 1 January 2010	7,700,681,186	8,338,358,399	2,873,596,445	6,664,516,330	25,577,152,360
2. Increase/(decrease) during the period					
1) Net Profit	-	-	-	1,005,779,502	1,005,779,502
2) Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	1,005,779,502	1,005,779,502
3) Capital contribution and withdrawal by shareholders	-	-	-	-	-
4) Profits appropriation					
1. Dividends declared	-	-	-	(308,027,247)	(308,027,247)
5) Transfers within shareholders' equity	-	-	-	-	-
3. At 30 June 2010	<u>7,700,681,186</u>	<u>8,338,358,399</u>	<u>2,873,596,445</u>	<u>7,362,268,585</u>	<u>26,274,904,615</u>

Company Statement of Changes in Equity (Continued)

(Prepared under China Accounting Standards)
For the six months ended 30 June 2010
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) Capital contribution and withdrawal by shareholders	-	-	-	-	-
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>

Company Cash Flow Statement

(Prepared under China Accounting Standards)
For the six months ended 30 June 2010
Renminbi Yuan

		For the six months ended 30 June	
		2010	2009
		Unaudited	Unaudited
	Note XII		
1.	Cash flows from operating activities:		
	Cash received from sale of goods or rendering of services	35,401,536,635	25,639,373,219
	Refunds of taxes	–	14,932,173
	Cash received relating to other operating activities	31,656,000	41,860,999
	Sub-total of cash inflows	35,433,192,635	25,696,166,391
	Cash paid for goods and services	(33,279,796,223)	(17,656,530,099)
	Cash paid to and on behalf of employees	(1,637,287,646)	(1,440,501,741)
	Cash paid for all taxes	(1,717,996,738)	(1,353,195,321)
	Cash paid relating to other operating activities	(303,718,091)	(278,671,663)
	Sub-total of cash outflows	(36,938,798,698)	(20,728,898,824)
	Net cash flows from operating activities	(1,505,606,063)	4,967,267,567
	7		
2.	Cash flows from investing activities:		
	Cash received from returns on investments	111,229,840	34,472,536
	Net cash received from disposal of fixed assets, intangible assets and other long term assets	2,086,943	5,784,469
	Cash received from decrease of pledged deposits	1,369,440,246	–
	Cash received relating to other investing activities	23,060,000	15,610,000
	Sub-total of cash inflows	1,505,817,029	55,867,005
	Cash paid for acquisitions of fixed assets, intangible assets and other long term assets	(642,974,923)	(1,150,577,785)
	Cash paid for investments	–	(31,888,715)
	Cash paid due to increase in pledged deposits, net	–	(3,409,950,000)
	Sub-total of cash outflows	(642,974,923)	(4,592,416,500)
	Net cash flows from investing activities	862,842,106	(4,536,549,495)

Company Cash Flow Statement (Continued)

(Prepared under China Accounting Standards)
For the six months ended 30 June 2010
Renminbi Yuan

	Note XII	For the six months ended 30 June	
		2010 Unaudited	2009 Unaudited
3.	Cash flows from financing activities:		
	Cash received from borrowings	5,599,446,500	13,712,036,350
	Sub-total of cash inflows	5,599,446,500	13,712,036,350
	Cash repayments of borrowings	(5,642,372,000)	(12,823,347,900)
	Cash paid for distribution of dividend or profits and for interest expenses	(414,234,327)	(403,657,420)
	Sub-total of cash outflows	(6,056,606,327)	(13,227,005,320)
	Net cash flows from financing activities	(457,159,827)	485,031,030
4.	Effect of foreign exchange rate changes on cash	(21,421,501)	1,246,878
5.	Net increase/(decrease) in cash and cash equivalents	(1,121,345,285)	916,995,980
	Add: Balance of cash and cash equivalents at beginning of period	3,759,523,396	4,362,314,406
6.	Balance of cash and cash equivalents at end of period	2,638,178,111	5,279,310,386



Notes to Interim Financial Statements

(Prepared under China Accounting Standards)

30 June 2010

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 headquarter 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 2010, the Company had issued 7,700,681,186 shares in total, including ordinary A share of 5,967,751,000 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 2010
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 being used in the annual financial statements for the year ended 31 December 2009.

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 2010, and the results of their operations and their cash flows for the six months ended 30 June 2010.

III. TAX

1. The principal kinds of taxes and the related rates:

Value-added tax	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 and one of its subsidiaries adopted the “Exempt, Offset, Refund” arrangements for VAT in export sales with the refunds rates of 5% – 17%. A subsidiary of the Company adopted the “Levy first, refund afterwards” arrangements for VAT in its own export sales.
Business tax	Payable based on 3% – 5% of the taxable income.
City construction and maintenance tax	Payable based on 7% of the net VAT and business tax.
Income tax	The Company and certain of its subsidiaries were subject to corporate income tax rate at 25% on their assessable profit since 2008.
Education surcharge	Payable based on 3% of the net VAT and business tax.
Local education surcharge	Payable based on 1% of the net VAT and business tax.
Real estate tax	Payable based on certain percentage of the cost of real estate with legal title in accordance with relevant regulations.
Other taxes	In accordance with tax laws and other relevant regulations.



Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2010
Renminbi Yuan

III. TAX (CONTINUED)

2. Tax benefits and approval documents

Certain subsidiaries of the Company were foreign investment enterprises which shall be subject to corporate income tax rate ranged from 22% to 25% and 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 in the countries, ranging from 16.5% to 30%, in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

3. Other notes

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”.

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.

The Group is mainly subject to income taxes in various regions within the PRC. Where the final tax outcomes of the objective estimates and judgements are different from the amounts originally recorded, the differences will affect the income tax and tax provision in the period in which the differences are realised.

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2010
Renminbi Yuan

IV. SCOPE OF FINANCIAL STATEMENT CONSOLIDATION

1. Subsidiaries

The details of subsidiaries of the company are as follows:

Name of investee	Business Type	Place of incorporation and registration	legal representative	Business nature	Registered capital	Principal activities	Organisation code	Paid-in capital as at year end	Other items constitute net investment	Percentage of equity (%)	Percentage of equity (%)	Consolidation Y/N	Minority share holders	Amount in minority interests available for reduction share of loss of minority interest	Note
Subsidiaries acquired by establishment or investment															
Ma Steel International Trade and Economic Corporation ("Ma Steel International Trade Corp.")	Public	Anhui, PRC	Lu Kecong	Trading	RMB 50,000,000	Import of machinery and raw materials and export of steel products	15050958-2	RMB 50,000,000	-	100	100	Y	-	-	
Design & Research Institute of Maanshan Iron & Steel company Limited ("Design & Research Institute")	Limited liability	Anhui, PRC	Fang Zhengfang	Service industry	RMB 100,000,000	Planning and design of metallurgical construction and environmental protection projects, construction supervision and contract service	73299724-8	RMB 7,500,000	-	66.82	66.82	Y	49,381,983	49,381,983	
MG Control Technique Company Limited ("MG Control Technique")	Limited liability	Anhui, PRC	Yan Hua	Manufacturing	RMB 12,000,000	Design of automation systems; purchase, installation and repairs of automation, computers and communication systems	73890028-3	RMB 7,500,000	-	100	100	Y	463,926	463,926	
Anhui Masteel K.Wah New Building Materials Co., Ltd. ("Anhui Masteel K. Wah")	Sino-foreign joint venture	Anhui, PRC	Xu Rulin	Manufacturing	USD 8,389,000	Production, sale and transportation of slag products and provision of related consultation services	74306587-6	USD 5,872,300	-	70	70	Y	34,495,821	34,495,821	
Ma Steel (Wuhu) Processing and Distribution Co., Ltd. ("Ma Steel (Wuhu)")	Sino-HK joint Venture	Anhui, PRC	Zhu Jinran	Manufacturing	RMB 35,000,000	Processing and sale of metallic products; processing of motor vehicle spare parts and sale of construction materials and chemical products (except dangerous products)	74676907-8	RMB 8,225,885	-	100	100	Y	-	-	
Ma Steel (Chui) Processing and Distribution Co., Ltd. ("Ma Steel (Chui)")	Limited liability	Anhui, PRC	Zhu Jinran	Manufacturing	RMB 30,000,000	Production, processing and sale of steel plates, steel wires and steel sections; and provision of storage and after-sale services	78479176-2	RMB 20,000,000	-	92	92	Y	4,018,981	4,018,981	

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)

30 June 2010

Renminbi Yuan

IV. SCOPE OF FINANCIAL STATEMENT CONSOLIDATION (CONTINUED)

1. Subsidiaries (continued)

The details of subsidiaries of the company are as follows: (continued)

Name of investee	Business Type	Place of incorporation and registration	legal representative	Business nature	Registered capital	Principal activities	Organisation code	Paid-in capital as at year end	Other items constitute net investment	Percentage of equity (%)	Percentage of equity (%)	Consolidation Y/N	Minority share holders	Amount in minority interests available for reduction share of loss of minority interest	Note
Subsidiaries acquired by establishment or investment (continued)															
Ma Steel (Guangzhou) Processing and Distribution Co., Ltd. ("Ma Steel (Guangzhou)")	Sino-foreign joint Venture	Guangdong, PRC	Zhu Jinan	Manufacturing	RMB 120,000,000	Production, processing and sale of steel plates, steel wires and steel sections and provision of storage, transportation and after-sale services	75196554-5	RMB 120,000,000	-	66.7	66.7	Y	57,765,003	57,765,003	
Maanshan Iron & Steel (HK) Limited ("Ma Steel (HK)")	Wholly-owned subsidiary	Hong Kong, PRC	N/A	Manufacturing	HKD 4,800,000	Trading of steel and iron ores, and provision of steel trading agency services and transportation services	N/A	HKD 4,800,000	-	100	100	Y	-	-	
Anhui Masteel Holy Industrial Co., Ltd. ("Holy Industrial")	Taiwan, HK, Macau and PRC joint venture	Anhui, PRC	Zhang Guosheng	Manufacturing	RMB 30,000,000	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	75487864-5	RMB 30,000,000	-	100	100	Y	-	-	(i)
Maanshan Masteel Huayang Equipment Inspection & Engineering Co., Ltd ("Huayang Equipment")	Limited liability	Anhui, PRC	Wu Haitong	Manufacturing	RMB 1,000,000	Provision of equipment inspection technique consultancy services, equipment services and equipment inspection work	77110896-8	RMB 1,000,000	-	90	90	Y	520,349	520,349	
Ma Steel (Jinhua) Processing and Distribution Co., Ltd. ("Ma Steel (Jinhua)")	Sino-foreign joint venture	Zhejiang, PRC	Zhu Jinan	Manufacturing	RMB 120,000,000	Production, processing and sale of steel plates, steel wires and steel sections and provision of storage, transportation and after-sale services	77313607-3	RMB 120,000,000	-	75	75	Y	33,856,418	33,856,418	

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)

30 June 2010

Renminbi Yuan

IV. SCOPE OF FINANCIAL STATEMENT CONSOLIDATION (CONTINUED)

1. Subsidiaries (continued)

The details of subsidiaries of the company are as follows: (continued)

Name of investee	Business Type	Place of incorporation and registration	legal representative	Business nature	Registered capital	Principal activities	Organisation code	Paid-in capital as at year end	Other items constitute net investment	Percentage of equity (%)	Percentage of equity (%)	Consolidation Y/N	Minority share holders	Amount in minority interests available for reduction share of loss of minority interest	Note
Subsidiaries acquired by establishment or investment (continued)															
MG Trading and Development GmbH ("MG Trading")	Wholly-owned subsidiary	Germany	N/A	Trading	EUR 153,388	Trading of equipment, iron and steel products and provision of technology services	N/A	EUR 153,388	-	100	100	Y	-	-	
Maanshan Iron and Steel (Australia) Proprietary Limited ("Ma Steel (Australia)")	Limited liability	Australia	N/A	Mine production and sales	AUD 21,737,900	Production and sales of iron ores through an unincorporated joint venture	N/A	AUD 21,737,900	-	100	100	Y	-	-	
Ma Steel (Hefei) Iron & Steel Co., Ltd. ("Ma Steel (Hefei)")	Limited liability	Anhui, PRC	Zhao Zhiqun	Manufacturing	RMB 500,000,000	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	78856717-5	RMB 355,000,000	-	71	71	Y	259,846,252	259,846,252	
Ma Steel (Hefei) Processing and Distribution Co., Ltd. ("MS (Hefei) Processing")	Limited liability	Anhui, PRC	Zhu Jinnan	Manufacturing	RMB 120,000,000	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	79356794-6	RMB 73,200,000	-	89	89	Y	15,513,586	15,513,586	

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IV. SCOPE OF FINANCIAL STATEMENT CONSOLIDATION (CONTINUED)

1. Subsidiaries (continued)

The details of subsidiaries of the company are as follows: (continued)

Name of investee	Business Type	Place of incorporation and registration	legal representative	Business nature	Registered capital	Principal activities	Organisation code	Paid-in capital as at year end	Other items constitute net investment	Percentage of equity (%)	Percentage of equity (%)	Con-solidation Y/N	Minority share holders	Amount in minority interests available for reduction share of loss of minority interest	Note
Subsidiaries acquired by establishment or investment (continued)															
Ma Steel (Wuhu) Material Technique Co. Ltd ("Wuhu Technique")	Limited liability	Anhui, PRC	Zhu Jinnan	Manufacturing	RMB 150,000,000	Provision of storage and transportation services of automobiles related metal components, trading and processing steel products, provision of related consultancy services	67090961-9	RMB 106,500,000	-	71	71	Y	44,233,340	44,233,340	
Ma Steel United Electric Steel Roller Co. Ltd ("Ma Steel Roller")	Limited liability	Anhui, PRC	Wang Xiaoguang	Manufacturing	USD 30,000,000	Developing, processing manufacturing and sale of steel roller, provision after-sale services and technical consultancy services	66790211-7	USD 15,300,000	-	51	51	Y	99,545,004	99,545,004	
Maanshan Used Vehicle Trading Centre Co. Ltd ("Used Vehicle Trading")	Limited liability	Anhui, PRC	Zheng Minzhu	Trading	RMB 500,000	Trading of used automobiles, sales of automobiles and accessories, provision of after-sale services and leasing properties	66422618-4	RMB 500,000	-	100	100	Y	-	-	
Anhui Jiangnan Steel Material Quality Monitoring and Testing Co., Ltd ("Anhui Jiangnan Testing")	Limited liability	Anhui, PRC	Zhang Mingru	Manufacturing	RMB 1,000,000	Monitoring and testing of steel materials and products, titanium alloy, thermostatic materials products, raw materials and fuels; service of physical and chemical inspection technique; Application, appraisal and repair of physical and chemical devices.	69570971-X	RMB 1,000,000	-	100	100	Y	-	-	(ii)

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IV. SCOPE OF FINANCIAL STATEMENT CONSOLIDATION (CONTINUED)

1. Subsidiaries (continued)

The details of subsidiaries of the company are as follows: (continued)

Name of investee	Business Type	Place of incorporation and registration	legal representative	Business nature	Registered capital	Principal activities	Organisation code	Paid-in capital as at year end	Other items constitute net investment	Percentage of equity (%)	Percentage of equity (%)	Con-solidation Y/N	Minority share holders	Amount in minority interests available for reduction share of loss of minority interest	Note
Subsidiaries acquired not under common control															
Ma Steel (Yangzhou) Processing and Distribution Co., Ltd. ("MS (Yangzhou) Processing")	Limited liability	Jiangsu, PRC	Zhu Jinnan	Manufacturing	USD 20,000,000	Production, processing and sale of steel plates, steel wires and steel sections; provision of after-sale and storage services (except of dangerous chemical products)	75732471-X	USD 20,000,000	-	71	71	Y	57,416,752	57,416,752	
Subsidiaries acquired under common control															
Anhui Masteel stereoscopic Auto-packing Equipments Company Limited ("Masteel Auto-Parking")	Limited liability	Anhui, PRC	Li Hanxing	Manufacturing	USD 2,500,000	Development, production, and sales of vehicle automatic transmission product and related spare parts; provision of related design technique, equipment production and transportation services	75854512-7	USD 2,500,000	-	100	100	Y	-	-	

- (i) During the current period, the Group acquired the minority interests of the subsidiary for RMB32.79 million. The subsidiary became a wholly-owned subsidiary of the Group after the acquisition.
- (ii) The above subsidiary was established during the current period.

2. Change in the scope of consolidation

Except for the establishment of a subsidiary during the current period, the scope of financial statements consolidation is consistent with previous year.

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IV. SCOPE OF FINANCIAL STATEMENT CONSOLIDATION (CONTINUED)

3. Exchange rates used to translate the statements of foreign operations

	Average rates		Closing rates	
	30 June 2010	30 June 2009	30 June 2010	31 December 2009
EUR	9.0341	9.7281	8.2710	9.7971
HKD	0.8765	0.8813	0.8724	0.8805
AUD	5.9451	5.4215	5.7608	6.1294

V. MAJOR NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	30 June 2010			31 December 2009		
	Original currency	Exchange rate	RMB equivalents Unaudited	Original currency	Exchange rate	RMB equivalents Audited
Cash on hand						
– RMB	-	-	179,027	-	-	160,559
Balances with financial institutions						
– RMB	-	-	4,603,741,259	-	-	5,384,124,037
– HKD	315,233	0.8724	275,129	324,191	0.8805	285,450
– USD	53,884,473	6.7909	366,082,998	29,073,666	6.8371	198,778,593
– EUR	5,625,021	8.2710	46,524,552	1,950,018	9.7971	19,103,715
– JPY	102,031	0.0767	7,824	102,030	0.0738	7,528
– AUD	35,459,453	5.7608	204,274,818	30,174,512	6.1294	184,951,653
			5,220,906,580			5,787,250,976
Others						
– RMB	-	-	914,037,929	-	-	864,446,073
– USD	100,000,000	6.7909	679,090,000	300,000,000	6.8282	2,048,460,000
			1,593,127,929			2,912,906,073
Total			6,814,213,536			8,700,317,608

Notes to Interim Financial Statements (Continued)

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

1. Cash and bank balances (Continued)

As at 30 June 2010, the Group's cash and bank balances amounting to RMB1,599,932,649 have been pledged to banks as securities (31 December 2009: RMB2,919,781,773), including other monetary assets amounting to USD100,000,000 (31 December 2009: USD300,000,000) pledged as securities to obtain bank loans of RMB680,000,000 (31 December 2009: RMB2,046,112,000), other monetary assets amounting to RMB914,037,929 (31 December 2009: RMB864,446,073) pledged as securities for trade facilities and performance bonds, and time deposits amounting to USD1,000,000, equivalent to RMB6,804,720 (31 December 2009: USD1,000,000, equivalent to RMB6,875,700), pledged to banks to issue credit letter.

As at 30 June 2010, the Group has cash and bank balances amounting to RMB302,474,350 have been deposited outside the PRC (31 December 2009: RMB246,420,054).

Cash deposited in current account earns interest at floating interest rate. Terms of time deposits take from 1 month, 6 months to 1 year, which is depended on cash flow demand of the Group. Such deposits earn interest at the respective bank deposit rates.

2. Bills receivable

	30 June 2010 Unaudited	31 December 2009 Audited
Bank acceptance bills	6,829,635,741	4,414,688,750
Commercial acceptance bills	5,107,114	6,500,936
Total	6,834,742,855	4,421,189,686

As at 30 June 2010 and 31 December 2009, there was no trade receivables transferred from bills receivable because of pledging or the drawers' inability to pay, and the top five largest bills receivable that were not expired but had been endorsed out were as follows:

Notes to Interim Financial Statements (Continued)

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

2. Bills receivable (Continued)

30 June 2010

Issue entity	Issue date	Maturity date	Amount
Company 1	2010-5-5	2010-8-5	40,000,000
Company 2	2010-5-12	2010-8-12	40,000,000
Company 3	2010-5-13	2010-8-13	32,000,000
Company 4	2010-5-19	2010-8-19	30,000,000
Company 5	2010-5-19	2010-8-19	30,000,000
Total			<u>172,000,000</u>

31 December 2009

Issue entity	Issue date	Maturity date	Amount
Company 1	2009-7-20	2010-1-20	22,000,000
Company 2	2009-10-27	2010-4-27	21,500,000
Company 3	2009-11-20	2010-2-20	21,000,000
Company 4	2009-11-5	2010-5-5	20,000,000
Company 5	2009-10-15	2010-4-15	20,000,000
Total			<u>104,500,000</u>

At 30 June 2010, certain of the Group's short-term loans were acquired from bills receivable discounted amounted to RMB27,558,640 (31 December 2009: RMB29,000,000).

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

3. Trade receivables

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

The ageing of trade receivables is analysed below:

	30 June 2010 Unaudited	31 December 2009 Audited
Within one year	736,207,632	786,972,355
One to two years	29,514,360	27,797,830
Two to three years	8,367,986	10,700,056
Over three years	18,450,011	18,000,512
	<u>792,539,989</u>	<u>843,470,753</u>
Less: Provisions for bad debts	20,544,662	20,540,662
Total	<u><u>771,995,327</u></u>	<u><u>822,930,091</u></u>

Trade receivables balance is analysed as follows:

	30 June 2010 Unaudited				31 December 2009 Audited			
	Balance	Ratio	Provision for bad debts	Ratio	Balance	Ratio	Provision for bad debts	Ratio
Individually significant	703,608,177	89	(14,467,041)	2	768,936,691	91	(15,388,457)	2
Other insignificant	88,931,812	11	(6,077,621)	7	74,534,062	9	(5,152,205)	7
Total	<u>792,539,989</u>	<u>100</u>	<u>(20,544,662)</u>		<u>843,470,753</u>	<u>100</u>	<u>(20,540,662)</u>	

Notes to Interim Financial Statements (Continued)

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

3. Trade receivables (continued)

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

Reason	For the six months ended 30 June	
	2010 Unaudited	2009 Audited
Bankrupt or liquidated debtors	–	–
Debtors with age over 3 years and demonstrated by sufficient evidence that they were irrecoverable	–	–
Less: Reversal of bad debts provisions written-off in prior year	4,000	138,000
Total	(4,000)	(138,000)

As at 30 June 2010, the top five largest customers were as follows:

	Relationship with the Group	Balance	Aging	Ratio (%)
Company 1	Independent third party	97,550,110	Within one year	12
Company 2	Independent third party	42,750,283	Within one year	5
Company 3	Independent third party	35,249,573	One to two years	5
Company 4	Independent third party	30,083,344	Within one year	4
Company 5	Parent company	26,921,222	One to two years	3
		232,554,532		29

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

3. Trade receivables (continued)

As at 31 December 2009, the top five largest customers were as follows:

	Relationship with the Group	Balance	Aging	Ratio (%)
Company 1	Independent third party	235,794,221	Within one year	28
Company 2	Independent third party	117,618,163	Within one year	14
Company 3	Parent company	16,843,818	Within one year	2
Company 4	Independent third party	13,717,632	Within one year	2
Company 5	Independent third party	12,193,962	Within one year	1
		396,167,796		47

The following balances of trade receivables are denominated in foreign currencies:

	30 June 2010 Unaudited			31 December 2009 Audited		
	Original currency	Exchange rate	RMB equivalents	Original currency	Exchange rate	RMB equivalents
USD	27,901,320	6.7909	189,475,076	16,891,889	6.8282	115,341,199
EUR	1,184,513	8.2710	9,797,110	1,174,545	9.7971	11,507,135
Total			199,272,186			126,848,334

As at 30 June 2010 and 31 December 2009, there were no trade receivables being derecognised due to the transfer of financial assets.

As at 30 June 2010 and 31 December 2009, trade receivables due from either shareholders who hold 5% or above of the Company's equity interests or other related parties are stated in Note VI.6 to the financial statements.

The movement of provision for bad debts against trade receivables for the current period is disclosed in Note 8.

Notes to Interim Financial Statements (Continued)

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

4. Other receivables

The ageing of other receivables is analysed below:

	30 June 2010 Unaudited	31 December 2009 Audited
Within one year	731,651,912	266,052,618
One to two years	1,354,924	1,680,431
Two to three years	2,080,526	1,182,956
Over three years	6,648,724	6,319,107
	741,736,086	275,235,112
Less: Provisions for bad debts	7,070,497	7,070,497
Total	734,665,589	268,164,615

Other receivable balance is analysed as follows:

	30 June 2010 Unaudited				31 December 2009 Audited			
	Balance	ratio	Provision for bad debts	ratio	Balance	rate	Provision for bad debts	ratio
Individually significant	714,256,288	96	(2,400,000)	-	256,451,581	93	(2,400,000)	1
Other insignificant	27,479,798	4	(4,670,497)	17	18,783,531	7	(4,670,497)	25
Total	741,736,086	100	(7,070,497)		275,235,112	100	(7,070,497)	

Notes to Interim Financial Statements (Continued)

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

4. Other receivables (continued)

As at 30 June 2010, the top five largest customers were as follows:

	Relationship with the Group	Balance	Payment date	Ratio in other receivable (%)
Company 1	Independent third party	674,871,727	Within one year	90
Company 2	Independent third party	11,422,297	Within one year	1
Company 3	Independent third party	6,392,079	Within one year	1
Company 4	Independent third party	4,668,680	Within one year	1
Company 5	Independent third party	3,529,440	One to two years	1
		<u>700,884,223</u>		<u>94</u>

As at 31 December 2009, the top five largest customers were as follows:

	Relationship with the Group	Balance	Payment date	Ratio in other receivable (%)
Company 1	Independent third party	219,847,841	Within one year	80
Company 2	Independent third party	8,404,252	Within one year	3
Company 3	Independent third party	6,071,521	Within one year	2
Company 4	Independent third party	5,636,119	Within one year	2
Company 5	Independent third party	2,581,529	Within one year	1
		<u>242,541,262</u>		<u>88</u>

As at 30 June 2010 and 31 December 2009, 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 provision for bad debts against other receivables for the current period is disclosed in Note 8.

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

5. Inventories

	30 June 2010			31 December 2009		
	Unaudited			Audited		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Raw materials	7,340,001,840	-	7,340,001,840	4,535,369,959	(33,417,210)	4,501,952,749
Spare parts	1,838,848,392	(62,217,736)	1,776,630,656	2,002,627,223	(48,626,768)	1,954,000,455
Finished goods	747,456,319	-	747,456,319	1,130,115,655	-	1,130,115,655
Work in progress	1,893,628,222	-	1,893,628,222	1,249,926,633	-	1,249,926,633
Construction contract	142,688,520	-	142,688,520	152,798,559	-	152,798,559
Total	11,962,623,293	(62,217,736)	11,900,405,557	9,070,838,029	(82,043,978)	8,988,794,051

As at 30 June 2010, 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 RMB1,084,330,954 (31 December 2009: RMB223,882,564).

The movement of impairment provision against inventories for the current period is disclosed in Note 8.

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

6. Fixed assets

30 June 2010

	Buildings and structures Unaudited	Plant, machinery and equipment Unaudited	Transportation vehicles and equipment Unaudited	Total Unaudited
Cost				
At 1 January 2010	20,723,321,211	40,896,760,968	436,313,529	62,056,395,708
Additions	1,400	4,993,765	1,106,645	6,101,810
Transferred from constructions in progress (Note 7)	45,108,252	145,831,100	3,625,385	194,564,737
Reclassifications	744,597,485	(755,126,485)	10,529,000	-
Disposal	-	(5,722,637)	(13,328,125)	(19,050,762)
Exchange realignment	-	(752,390)	-	(752,390)
At 30 June 2010	21,513,028,348	40,285,984,321	438,246,434	62,237,259,103
Accumulated depreciation				
At 1 January 2010	6,391,562,457	16,952,699,117	348,559,669	23,692,821,243
Provided during the period	572,335,571	1,822,781,934	18,498,030	2,413,615,535
Reclassifications	319,857,809	(322,437,769)	2,579,960	-
Disposal	-	(5,285,719)	(12,768,397)	(18,054,116)
Exchange realignment	-	(39,903)	-	(39,903)
At 30 June 2010	7,283,755,837	18,447,717,660	356,869,262	26,088,342,759
Impairment				
At 1 January 2010 and 30 June 2010	5,252,400	85,423,244	-	90,675,644
Net carrying amount				
At 30 June 2010	14,224,020,111	21,752,843,417	81,377,172	36,058,240,700
At 1 January 2010	14,326,506,354	23,858,638,607	87,753,860	38,272,898,821

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

6. Fixed assets (continued)

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	20,411,877,241	40,000,665,762	434,250,300	60,846,793,303
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	5,810,032,576	15,184,413,623	328,928,613	21,323,374,812
Impairment				
At 1 January 2009 and 30 June 2009	5,252,400	85,423,244	-	90,675,644
Net carrying amount				
At 30 June 2009	14,596,592,265	24,730,828,895	105,321,687	39,432,742,847
At 1 January 2009	15,026,960,019	25,622,586,035	119,949,768	40,769,495,822

As at 30 June 2010, the Group has no intention to dispose any fixed assets or held any fixed assets that were being temporarily idle.

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

6. Fixed assets (continued)

As at 30 June 2010, certificates of ownership in respect of 209 of the Group's buildings in the PRC, with an aggregate cost of RMB2,410.82 million (31 December 2009: approximately RMB2,410.82 million), have not been issued by the relevant government authorities. The directors represent that the Group is in the process of obtaining the relevant certificates, and it will not have significant adverse impact on the Group's operations.

The movement of impairment provision for fixed assets for the current period is disclosed in Note 8.

7. Construction in progress

	30 June 2010			31 December 2009		
	Unaudited			Audited		
	Balance	Provision for impairment	Carrying amount	Balance	Provision for impairment	Carrying amount
Products quality project	103,618,766	-	103,618,766	194,613,507	-	194,613,507
Energy-saving and environment protection project	75,915,576	-	75,915,576	67,883,027	-	67,883,027
Equipment advancement and other modification projects	1,389,608,100	-	1,389,608,100	1,242,630,024	-	1,242,630,024
Other projects	314,639,614	-	314,639,614	292,828,084	-	292,828,084
Total	1,883,782,056	-	1,883,782,056	1,797,954,642	-	1,797,954,642

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

7. Construction in progress (continued)

30 June 2010

Name of projects	Budget cost RMB'000	Opening	Additions	Transferred to	Closing	Source of fund	Percentage of
		balance	during	fixed assets	balance		completion
		RMB	the period	(Note 6)	RMB		%
			RMB	RMB	RMB		
1. Products quality project	6,348,970	194,613,507	21,628,626	(112,623,367)	103,618,766	Internally generated funds	1-100
2. Energy-saving and environment protection project	511,186	67,883,027	2,624,724	5,407,825	75,915,576	Internally generated funds	1-100
3. Equipment advancement and other modification projects	11,791,501	1,242,630,024	180,659,349	(33,681,273)	1,389,608,100	Internally generated funds	1-100
4. Other projects	N/A	292,828,084	75,479,452	(53,667,922)	314,639,614	Internally generated funds	N/A
		1,797,954,642	280,392,151	(194,564,737)	1,883,782,056		
Less: Impairment		-	-	-	-		
Total		1,797,954,642	280,392,151	(194,564,737)	1,883,782,056		

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

7. Construction in progress (continued)

30 June 2009

Name of projects	Budget cost RMB'000	Opening	Additions	Transferred to	Closing	Source of fund	Percentage of
		balance	during	fixed assets	balance		completion
		RMB	RMB	(Note 6)	RMB		%
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		

Notes to Interim Financial Statements (Continued)

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

8. Assets impairment provisions

	For the six months ended 30 June 2010					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	27,611,159	-	-	-	4,000	27,615,159
Including: Trade receivables	20,540,662	-	-	-	4,000	20,544,662
Other receivables	7,070,497	-	-	-	-	7,070,497
Provisions for inventories	82,043,978	13,906,462	-	(33,732,704)	-	62,217,736
Including: Raw Materials	33,417,210	-	-	(33,417,210)	-	-
Work in Process	-	-	-	-	-	-
Finished goods	-	-	-	-	-	-
Spare parts	48,626,768	13,906,462	-	(315,494)	-	62,217,736
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	200,330,781	13,906,462	-	(33,732,704)	4,000	180,508,539

Notes to Interim Financial Statements (Continued)

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

8. Assets impairment provisions (continued)

	For the six months ended 30 June 2009					
	Opening Balance Audited	Increase during the period Unaudited	Decrease			Closing balance Unaudited
			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

9. Bills payable

	30 June 2010 Unaudited	31 December 2009 Audited
Bank acceptance bills	5,566,969,416	3,988,275,537
Commercial acceptance bills	15,000,000	1,412,012,063
Total	5,581,969,416	5,400,287,600

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

10. Taxes payable

	30 June 2010 Unaudited	31 December 2009 Audited
VAT	(1,425,968)	(40,608,908)
Corporate income tax	(264,920,629)	(107,811,680)
City construction and maintenance tax	28,529,644	23,156,705
Other taxes	21,745,473	39,456,366
Total	<u>(216,071,480)</u>	<u>(85,807,517)</u>

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

11. Dividends payable

	30 June 2010 Unaudited	31 December 2009 Audited	Unpaid reason for over 1 year
Holding	802,811,475	695,945,600	Unpaid
Other shareholders	47,668,118	5,593,163	Unpaid
Total	<u>850,479,593</u>	<u>701,538,763</u>	

The 2009 profit appropriation plan of the Company has been approved at 2009 annual general meeting held at 8 June 2010.

As at 30 June 2010 and 31 December 2009, 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 VI.6 to the interim financial statements.

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

12. Bonds payable

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Opening balance	5,165,409,845	4,992,975,444
Interest expense	129,033,234	124,717,200
Less: Portion classified as current liability	48,980,556	48,980,556
Closing balance	<u>5,245,462,523</u>	<u>5,068,712,088</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 with 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 RMB77 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.

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

13. Share capital

30 June 2010	At 1 January 2010		Increase/(decrease) during the period			At 30 June 2010	
	Number of shares	Percentage (%)	Issue of shares	Others	Sub-total	Number of shares (i)	Percentage (%)
A. Shares with selling restriction							
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-
3. Other domestically owned shares	-	-	-	-	-	-	-
Including:							
Shares owned by domestic natural persons	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-
B. Shares without selling restriction							
1. Ordinary A shares	5,967,751,186	77.50	-	-	-	5,967,751,186	77.50
2. Ordinary H shares	1,732,930,000	22.50	-	-	-	1,732,930,000	22.50
Sub-total	7,700,681,186	100.00	-	-	-	7,700,681,186	100.00
C. Total	7,700,681,186	100.00	-	-	-	7,700,681,186	100.00

(i): As at 30 June 2010, the ordinary A shares without selling restriction includes 55,863,927 A shares held by Holding because of the plan of increasing shareholding of the Company and 3,886 A shares held by two existing directors each.

Notes to Interim Financial Statements (Continued)

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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	
	2010 Unaudited	2009 Unaudited
Principle operating income	30,192,768,112	22,691,331,897
Other operating income	1,483,702,854	732,425,075
Total revenue	<u>31,676,470,966</u>	<u>23,423,756,972</u>

Cost of sales is stated as follows:

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Principle cost of sales	27,879,861,413	22,446,117,774
Other cost of sales	1,228,672,963	717,904,814
Total revenue	<u>29,108,534,376</u>	<u>23,164,022,588</u>

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

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Sale of steel products	28,746,901,576	21,579,876,293
Sale of steel billets and pig iron	256,515,022	7,058,321
Sale of coke by-products	579,787,056	473,168,718
Others	609,564,458	631,228,565
Total	<u>30,192,768,112</u>	<u>22,691,331,897</u>

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

15. Financial expenses

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Interest expenses	435,170,189	533,266,502
Less: Interest income	42,119,330	35,895,344
Exchange gain or loss, net	20,126,295	(375,898)
Others	14,912,121	12,935,091
Total	<u>428,089,275</u>	<u>509,930,351</u>

16. Assets impairment losses

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Provision for bad debts	—	—
Including: Trade receivables	—	—
Other receivables	—	—
Provision for inventories	13,906,462	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>13,906,462</u>	<u>12,241,344</u>

Notes to Interim Financial Statements (Continued)

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

17. Investment income

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Long term equity investments income under equity method	82,901,417	74,167,291
Long term equity investments income under cost method	4,793,786	8,056,841
Other equity investment income	4,395	5,233
Total	<u>87,699,598</u>	<u>82,229,365</u>

18. Income tax

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Current income tax expense	57,850,323	18,680,947
Deferred tax	332,336,244	(10,947,679)
Total	<u>390,186,567</u>	<u>7,733,268</u>

19. Earnings per share

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

For the numerator of calculating diluted earnings per share, an entity shall adjust net income 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.

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

19. Earnings per share (continued)

For the denominator of calculating diluted earnings per share, the number of ordinary shares shall be the total of (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	
	2010 Unaudited	2009 Unaudited
Profit/(loss) attributable to ordinary equity holders of the parent as used in the basic/diluted earnings per share calculation	<u>1,041,639,495</u>	<u>(795,420,710)</u>
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	7,700,681,186
Effect of dilution – weighted average number of ordinary shares:		
Warrants attached to bonds	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares in issue after adjustment	<u>N/A</u>	<u>N/A</u>

Notes to Interim Financial Statements (Continued)

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

20. Other comprehensive income

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Exchange fluctuation reserve	(19,277,392)	33,705,044

21. Notes to items of statement of cash flows:

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Cash received relating to other operating activities		
Specific subsidies granted by government	39,305,498	49,515,878
Cash paid relating to other operating activities		
Supporting services	45,661,600	41,661,600
Office expenses	96,308,753	79,882,271
Transportation expenses	70,155,444	84,498,342
Repair and maintenance expenses	13,788,858	10,952,874
Environmental improvement fee	24,148,634	20,248,065
Research and development fee	20,945,591	10,104,967
Others	96,170,190	88,944,541
Total	367,179,070	336,292,660
Cash received relating to other investing activities		
Government subsidies granted for specific projects	23,060,000	30,490,000
Cash received from the decrease of term deposits over three months	26,372,000	—
Total	49,432,000	30,490,000

Notes to Interim Financial Statements (Continued)

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

22. Cash flows from operating activities

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Net profit/(loss)	1,041,639,495	(795,420,710)
Add: Minority interests	37,834,362	54,723,232
Provision for inventories	13,906,462	12,241,344
Depreciation of fixed assets	2,413,615,535	2,388,753,254
Amortisation of investment properties	85,764	34,453
Amortisation of intangible assets	23,276,979	22,526,026
Amortisation of deferred income	(39,855,757)	(34,597,670)
Loss/(gain) on disposal of non-current assets	(2,118,190)	(2,514,845)
Financial expenses	413,177,154	496,995,260
Investment income	(87,699,598)	(82,229,365)
Loss/(gain) on fair value changes	87,920	(271,500)
Decrease/(increase) in deferred tax assets	332,336,245	(4,268,776)
Decrease in deferred tax liabilities	–	(6,678,903)
Decrease/(increase) in inventories	(2,925,517,968)	1,442,592,667
Increase in receivables from operating activities	(3,266,788,805)	(2,007,684,829)
Increase in payables from operating activities	1,531,815,748	4,873,975,913
Net cash flows from operating activities	(514,204,654)	6,358,175,551

23. Cash and cash equivalents

	30 June 2010 Unaudited	31 December 2009 Audited
Cash		
Including: Cash on hand	179,027	261,471
Bank balances readily available for payment	4,962,885,860	7,386,094,695
Cash and cash equivalents	4,963,064,887	7,386,356,166

Notes to Interim Financial Statements (Continued)

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VI. 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 Group;
- 6) jointly-controlled entities of the Company;
- 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 Group 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 interim 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.

2. Parent company and subsidiaries

Name of parent company	Business type	Registered place	Legal representative	Business nature	Registered capital RMB	Share of equity interests (%)	Share of voting rights (%)	Organization code
Holding	limited liability	Anhui, PRC	Gu Jianguo	Manufacturing	6,298,290,000	50.47	50.47	15050914-4

As at the balance sheet date, the registered and paid-in capital of the parent company remained unchanged.

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

Notes to Interim Financial Statements (Continued)

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

3. Associates and jointly-controlled entities of the Group

Jointly-controlled entities	Business Type	Place of incorporation and registration	Legal representative	Business nature	Registered capital
Ma' anshan BOC-Ma Steel Gases Company Limited (BOC-Ma Steel)	Sino-foreign joint venture	Anhui, PRC	Ding Yi	Manufacturing	RMB468,000,000
Masteel-CMI International Training Centre Co., Ltd. ("MASTEEL-CMI")	Sino-foreign joint venture	Anhui, PRC	Qian Haifan	Servicing	RMB1,000,000
Sino-Japan Resource Regeneration Engineering Technique Co., Ltd. (Sino-Japan Resource Regeneration)	Sino-foreign joint venture	Anhui, PRC	Fang Zhengfang	Manufacturing	RMB10,000,000
Associates					
Jiyuan Shi JinMa Coke Co., Ltd. ("Jiyuan JinMa Coke")	Limited liability	Henan, PRC	Wang Tianshang	Manufacturing	RMB222,220,000
Tengzhou Shenglong Coke Co., Ltd. ("Tengzhou Shenglong Coke")	Limited liability	Shandong, PRC	Jiang Wei	Manufacturing	RMB208,800,000
Shanghai Iron and Steel Electronic Deal Center Co., Ltd. ("Shanghai Iron and Steel Electronic")	Limited liability	Shanghai, PRC	Dong Mingsheng	Manufacturing	RMB20,000,000
Maanshan Harbor Group Co., Ltd. ("Maanshan Harbor")	Limited liability	Anhui, PRC	Hui zhigang	Transportation	RMB250,000,000
Anhui All-monitor Automobile Transmission System Co., Ltd. ("All-monitor Transmission System")	Taiwan, HK, joint venture	Anhui, PRC, Macau and PRC joint venture	Zhang Guosheng	Manufacturing	RMB50,000,000

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties

Name	Relationship with the Company	Organization code
Masteel (Group) Holding Co., Ltd Tao Chong Ming Company	Controlled by Holding	84975155-9
Masteel (Group) Holding Co., Ltd Qing Yang Bai Yun mining	Controlled by Holding	75853879-5
Masteel (Group) Holding Co., Ltd Zai Jiu Ye Service Branch	Controlled by Holding	71994156-5
Masteel (Group) Holding Co., Ltd Cable TV Center	Controlled by Holding	71994150-6
Masteel (Group) Holding Co., Ltd Communication Technology Service Center	Controlled by Holding	74085141-7
Masteel (Group) Holding Co., Ltd Masteel Newspaper Office	Controlled by Holding	74086418-9
Masteel (Group) Holding Co., Ltd An Ye Machine	Controlled by Holding	85050714-x
Masteel Group Construction Co., Ltd	Controlled by Holding	73300228-1
Masteel Group Road and Bridge Construction Co., Ltd	Controlled by Holding	73300227-3
Masteel Group Li Sheng Co., Ltd	Controlled by Holding	71170372-2
Masteel Group Industry Development Co., Ltd	Controlled by Holding	70492034-x
Masteel Group Nan Shan Mining Co., Ltd	Controlled by Holding	85050948-7
Masteel Group Gu Shan Mining Co., Ltd	Controlled by Holding	70506322-0
Masteel Group Design and Research Institute Co., Ltd	Controlled by Holding	72850552-x
Masteel Group Kang Tei Land Development Co., Ltd	Controlled by Holding	85051283-8
Masteel Group Kang Tei Property Co., Ltd	Controlled by Holding	77736631-9
Masteel Group Kang Tei Building and Installing Industry Co., Ltd	Controlled by Holding	75099330-1
Masteel Shen Ma Metal Co., Ltd	Controlled by Holding	15050916-0
Anhui BRC & Masteel Weldmesh Co., Ltd	Controlled by Holding	75487597-0
Maanshan Jiang Hua Commodity Concrete Co., Ltd	Controlled by Holding	75096078-0
Masteel Group Steel Scrap Integrated Utilization Co., Ltd	Controlled by Holding	73302025-2
Maanshan Shi Fa Metal Industry and Trading CO., Ltd	Controlled by Holding	71395750-7
Masteel Industry Sheng Xing Raw Material Processing Co., Ltd	Controlled by Holding	72850980-3
Maanshan Bo Li Construction Supervising Co., Ltd	Controlled by Holding	71171630-4
Masteel Group Power and Machinery Installation Co., Ltd	Controlled by Holding	15051085-8
Masteel Group Mapping Co., Ltd	Controlled by Holding	67757014-4
Maanshan Masteel Yan Tu Construction Survey Mining Co., Ltd	Controlled by Holding	15051828-6
Masteel Group Chu Jiang Holiday Tour Co., Ltd	Controlled by Holding	73497529-6
Huang Shan Tai Bai Shan	Controlled by Holding	70495386-2
Anhui Masteel Advanced Technician Institute	Controlled by Holding	48540947-9
Anhui Metal Technology Institute	Controlled by Holding	F1044177-3
Anhui Masteel Luo He Mining Co., Ltd	Controlled by Holding	78307180-8
Shenzhen Yue Hai Masteel Industry Co., Ltd	Controlled by Holding	19244379-6

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. The significant transactions carried out between the Group and its related parties

(1) Purchases of iron ore from related party

For the six months ended 30 June					
		2010 Unaudited		2009 audited	
	Note	Amount RMB	Similar transaction %	Amount RMB	Similar transaction %
Holding	(i)	1,016,940,297	15	1,265,854,435	31

(i) The terms for the purchases of iron ore from Holding were conducted in accordance with an agreement dated 15 October 2009 entered into between the Company and Holding.

(2) Fees paid for welfare, support services and other services

For the six months ended 30 June					
		Amount	Similar	Amount	Similar
	Note	RMB	transaction %	RMB	transaction %
Holding	(ii)	65,985,186	74	40,702,270	59
Masteel Group Li Sheng Co., Ltd	(ii)	5,543,118	6	4,507,856	7
Masteel Group Industry Development Co., Ltd	(ii)	6,786,213	8	5,744,658	8
Masteel Group Construction Co., Ltd	(ii)	2,913,141	3	11,975,856	17
Masteel Group Steel Scrap Integrated Utilization Co., Ltd	(ii)	3,874,386	4	-	-
Other	(ii)	3,877,001	5	6,359,961	9
Total		88,979,045	100	69,290,601	100

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. The significant transactions carried out between the Group and its related parties (Continued)

(2) Fees paid for welfare, support services and other services (Continued)

- (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 services agreements entered into between the Company and Holding.

(3) Agency fee paid to related party

		For the six months ended 30 June			
		2010 Unaudited		2009 audited	
		Amount	Similar transaction	Amount	Similar transaction
Note		RMB	%	RMB	%
	Holding (iii)	555,101	48	201,090	10
	Masteel Shen Ma Metal Co., Ltd (iii)	616,097	52	68,421	3
	Masteel Group Gu Shan Mining Co., Ltd (iii)	-	-	1,786,759	87
	Total	1,171,198	100	2,056,270	100

- (iii) These transactions with Holding and its subsidiaries were conducted on terms mutually agreed between the Company and the related parties.

(4) Rental expenses paid to related party

		For the six months ended 30 June			
		2010 Unaudited		2009 audited	
		Amount	Similar transaction	Amount	Similar transaction
Note		RMB	%	RMB	%
	Holding (iii)	24,265,000	100	20,167,500	100

- (iii) These transactions with Holding and its subsidiaries were conducted on terms mutually agreed between the Company and the related parties.

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. The significant transactions carried out between the Group and its related parties (Continued)

(5) Purchases of fixed assets and construction services from related party

	Note	2010		2009	
		Unaudited		audited	
		Amount	Similar transaction	Amount	Similar transaction
		RMB	%	RMB	%
Holding	(iii)	-	-	102,753	-
Masteel Group Industry Development Co., Ltd	(iii)	1,622,726	1	547,617	-
Masteel Group Li Sheng Co., Ltd	(iii)	475,864	-	657,250	-
Masteel Group Kang Tei Building and Installing Industry Co., Ltd	(iii)	-	-	2,061,720	1
Masteel Group Road and Bridge Construction Co., Ltd(iii)		-	-	9,874,740	1
Masteel Group Construction Co., Ltd	(iii)	40,612,900	13	39,189,015	3
Maanshan Jiang Hua Commodity Concrete Co., Ltd	(iii)	-	-	22,004,800	2
Others	(iii)	370,430	-	1,254,108	-
Total		43,081,920	14	75,692,003	7

(iii) These transactions with Holding and its subsidiaries were conducted on terms mutually agreed between the Company and the related parties.

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. The significant transactions carried out between the Group and its related parties (Continued)

(6) Fees received for the supply of utilities, services and other consumable goods from related party

		For the six months ended 30 June			
		2010 Unaudited		2009 audited	
		Amount	Similar	Amount	Similar
		RMB	transaction	RMB	transaction
Note			%		%
	Holding (iii)	2,547,517	2	4,684,707	7
	Masteel Group Construction Co., Ltd (iii)	44,445,703	41	4,009,582	6
	Masteel Group Li Sheng Co., Ltd (iii)	770,379	1	769,844	1
	Others (iii)	1,852,747	2	1,671,922	3
	Total (iii)	49,616,346	46	11,136,055	17

(iii) These transactions with Holding and its subsidiaries were conducted on terms mutually agreed between the Company and the related parties.

(7) Sale of steel products and related by products to related party

		For the six months ended 30 June			
		Amount	transaction	Amount	transaction
		RMB	%	RMB	%
Note					
	Holding (iii)	1,454,589	-	-	-
	Maanshan Jiang Hua Commodity Concrete Co., Ltd (iii)	381,956	-	1,360,780	-
	Others (iii)	-	-	4,468	-
	Total	1,836,545	-	1,365,248	-

(iii) These transactions with Holding and its subsidiaries were conducted on terms mutually agreed between the Company and the related parties

Notes to Interim Financial Statements (Continued)

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. The significant transactions carried out between the Group and its related parties (Continued)

(8) Interest expense paid to related party

		For the six months ended 30 June			
		2010 Unaudited		2009 audited	
		Amount	Similar transaction	Amount	Similar transaction
Note		RMB	%	RMB	%
Holding	(iv)	907,355	0.2	430,110	–

(iv) During 2009, certain bank loans of RMB46,000,000 in aggregate 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 4.78%. In the current period, certain of these bank loans amounting to RMB30,000,000 had been repaid.

(9) Purchases of coke from associates

		For the six months ended 30 June			
		2010 Unaudited		2009 audited	
		Amount	Similar transaction	Amount	Similar transaction
Note		RMB	%	RMB	%
Jiyuan JinMa Coke	(v)	40,012,535	3	382,799,711	47
Tengzhou Shenglong Coke	(v)	198,841,844	13	192,114,018	24
Total		238,854,379	16	574,913,729	71

(v) These transactions were made between the Group and Jiyuan JinMa Coke, Tengzhou Shenglong Coke, Maanshan Harbor and were conducted in accordance with the terms mutually agreed between the parties.

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. The significant transactions carried out between the Group and its related parties (Continued)

(10) Loading expenses paid to associates

		For the six months ended 30 June			
		2010 Unaudited		2009 audited	
		Amount	Similar transaction	Amount	Similar transaction
Note		RMB	%	RMB	%
Maanshan Harbor	(v)	74,347,666	14	63,539,774	47

(v) These transactions were made between the Group and Jiyuan JinMa Coke, Tengzhou Shenglong Coke, Maanshan Harbor and were conducted in accordance with the terms mutually agreed between the parties.

(11) Rental income from a jointly-controlled entity

		For the six months ended 30 June			
		2010 Unaudited		2009 audited	
		Amount	Similar transaction	Amount	Similar transaction
Note		RMB	%	RMB	%
BOC-Ma Steel	(vi)	625,000	56	625,000	100

(vi) These transactions were made between the Group and BOC-Ma Steel and were conducted in accordance with the terms mutually agreed between the parties.

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. The significant transactions carried out between the Group and its related parties (Continued)

(12) Fee received for the supply of electricity from a jointly-controlled entity

		For the six months ended 30 June			
		2010 Unaudited		2009 audited	
		Amount	Similar transaction	Amount	Similar transaction
Note		RMB	%	RMB	%
BOC-Ma Steel	(vi)	127,733,004	76	129,656,505	70

(vi) These transactions were made between the Group and BOC-Ma Steel and were conducted in accordance with the terms mutually agreed between the parties.

(13) Fees received for the provision of utilities and facilities from a jointly-controlled entity

		For the six months ended 30 June			
		2010 Unaudited		2009 audited	
		Amount	Similar transaction	Amount	Similar transaction
Note		RMB	%	RMB	%
BOC-Ma Steel	(vi)	2,317,512	100	2,339,070	100

(vi) These transactions were made between the Group and BOC-Ma Steel and were conducted in accordance with the terms mutually agreed between the parties.

(14) Fees received for the provision of technique service from a jointly-controlled entity

		For the six months ended 30 June			
		2010 Unaudited		2009 audited	
		Amount	Similar transaction	Amount	Similar transaction
Note		RMB	%	RMB	%
BOC-Ma Steel	(vi)	120,000	100	-	-

(vi) These transactions were made between the Group and BOC-Ma Steel and were conducted in accordance with the terms mutually agreed between the parties.

Notes to Interim Financial Statements (Continued)

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. The significant transactions carried out between the Group and its related parties (Continued)

(15) Fee received for supply of steam from a jointly-controlled entity

		For the six months ended 30 June			
		2010 Unaudited		2009 audited	
		Amount	Similar transaction	Amount	Similar transaction
Note		RMB	%	RMB	%
BOC-Ma Steel	(vi)	1,279,974	100	1,605,133	100

(vi) These transactions were made between the Group and BOC-Ma Steel and were conducted in accordance with the terms mutually agreed between the parties.

(16) Purchase of gas products from a jointly-controlled entity

		For the six months ended 30 June			
		2010 Unaudited		2009 audited	
		Amount	Similar transaction	Amount	Similar transaction
Note		RMB	%	RMB	%
BOC-Ma Steel	(vi)	242,385,646	100	237,352,048	100

(vi) These transactions were made between the Group and BOC-Ma Steel and were conducted in accordance with the terms mutually agreed between them.

The transactions (i), (ii), (iii), (v) and (vi) above are the significant transactions carried out between the Group and its related parties during the period.

Notes to Interim Financial Statements (Continued)

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. The significant transactions carried out between the Group and its related parties (Continued)

(17) Guarantee for related party

30 June 2010	Note	Guarantee name	Guarantee amount	Started date	End date	Is guarantee mature
Holding	(vii)	Company	1,808million	2010.2	2012.3	No as at the signing date of the report
31 December 2009	Note	Guarantee name	Guarantee amount	Started date	End date	Is guarantee mature
Holding	(vii)	Company	888million	2009.2	2010.2	Yes as at the signing date of the report

(vii) During the current period, Holding has guaranteed certain additional bank loans for the Group amounting to approximately RMB1.808 billion (for the six months ended 30 June 2009: approximately RMB0.888 billion) at nil consideration. As at 30 June 2010, Holding has guaranteed certain amount of bank loans and bonds with warrants of the Group amounting to approximately RMB9.756 billion (31 December 2009: approximately RMB9.286 billion) at nil consideration.

(18) Further details on balances with Holding and its subsidiaries, and the Group's jointly-controlled entities and associates are set out in Note VI.6 to the financial statement. These balances are unsecured, interest-free and have no fixed terms of repayment.

Notes to Interim Financial Statements (Continued)

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivable from/payable to related parties

	30 June 2010 Unaudited	31 December 2009 Audited
Prepayments:		
Holding and its subsidiaries		
Masteel Group Construction Co., Ltd	1,588,691	–
Masteel Group Road and Bridge Construction Co., Ltd	3,196,610	1,196,610
Others entities controlled by Holding	406,200	286,100
Total	5,191,501	1,482,710
Associates and Jointly-controlled entities of the Group		
Tengzhou Shenglong Coke	–	7,670,646
Total	–	7,670,646
Accounts payable:		
Holding and its subsidiaries		
Masteel Group Construction Co., Ltd	4,155,716	57,443,759
Masteel Group Road and Bridge Construction Co., Ltd	13,412,797	14,819,317
Holding	1,651,878	19,052,891
Others entities controlled by Holding	14,322,960	18,708,229
Total	33,543,351	110,024,196
Associates and Jointly-controlled entities of the Group		
BOC-Ma Steel	13,113,263	13,002,377
Jiyuan JinMa Coke	223,791	435,037
Maanshan Harbor	12,691,523	20,915,943
Tengzhou Shenglong Coke	999,545	–
Total	27,028,122	34,353,357

Notes to Interim Financial Statements (Continued)

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VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

	30 June 2010 Unaudited	31 December 2009 Audited
Trade receivables:		
Holding and its subsidiaries		
Holding	29,549,265	12,864,891
Maanshan Jiang Hua Commodity Concrete Co., Ltd	–	2,172,501
Masteel Group Construction Co., Ltd	20,538,758	12,244,346
Others entities controlled by Holding	87,500	87,229
	<u>50,175,523</u>	<u>27,368,967</u>
Associates and Jointly-controlled entities of the Group		
Maanshan Harbor	385,640	1,149,140
	<u>385,640</u>	<u>1,149,140</u>
Deposits received:		
Holding and its subsidiaries		
Anhui BRC & Masteel Weldmesh Co., Ltd	19,835,212	18,049,860
Holding	80,776,043	79,230,540
Others entities controlled by Holding	3,797,325	3,791,840
	<u>104,408,580</u>	<u>101,072,240</u>
Associates and Jointly-controlled entities of the Group		
Jiyuan JinMa Coke	4,577,240	366,568
Tengzhou Shenglong Coke	254,572	–
	<u>4,831,812</u>	<u>366,568</u>
Dividends receivable:		
Associates and Jointly-controlled entities of the Group		
BOC-Ma Steel	42,119,078	6,751,198
Jiyuan JinMa Coke	–	18,000,000
	<u>42,119,078</u>	<u>24,751,198</u>
Dividends payable:		
Holding	802,811,475	695,945,600

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

Notes to Interim Financial Statements (Continued)

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VII. CONTINGENT LIABILITIES

1. Guarantee

As at 30 June 2010, the Company had provided guarantees amounting to approximately RMB2.874 billion (31 December 2009: approximately RMB3.857 billion) to banks for trading facilities granted to certain subsidiaries.

2. Difference of corporate income tax

As detailed in Note III. 3, 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 financial statements in respect of the extra tax and related tax concessions, deferred tax, penalty and interests (if applicable).

VIII. COMMITMENTS

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

	30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
Capital commitments		
Authorised, but not contracted for	3,087,372	4,872,181
Contracted, but not provided for	1,211,189	1,860,432
Total	4,298,561	6,732,613
Investment commitments		
Authorised, but not contracted for	70,000	-

Notes to Interim Financial Statements (Continued)

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VIII. COMMITMENTS (CONTINUED)

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

	30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
Capital commitments		
Authorised, but not contracted for	666	797

IX. POST BALANCE SHEET EVENTS

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

X. OTHER SIGNIFICANT EVENTS

1. Leases

As lessor

The Group has leased certain of its investment properties under operating lease arrangement ranging from 5 to 18 years. The periodic rent is fixed during the operating lease periods.

	30 June 2010 Unaudited	31 December 2009 Audited
Remaining lease period		
Within 1 year, inclusive	1,750,000	1,750,000
1 to 2 years, inclusive	1,750,000	1,750,000
2 to 3 years, inclusive	1,750,000	1,750,000
Over 3 years	12,532,534	13,407,534
Total	17,782,534	18,657,534

Notes to Interim Financial Statements (Continued)

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X. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Assets at fair value

30 June 2010

	Opening balance	Fair value gains or loss through profit or loss	Accumulated fair value through equity	Provision for the period	Closing balance
Financial assets					
Financial assets at fair value through profit or loss	1,037,360	(87,920)	-	-	949,440

30 June 2009

	Opening balance	Fair value gains or loss through profit or loss	Accumulated fair value through equity	Provision for the period	Closing balance
Financial assets					
Financial assets at fair value through profit or loss	813,250	271,500	-	-	1,084,750

Notes to Interim Financial Statements (Continued)

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X. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Financial assets and liabilities at foreign currency

30 June 2010

	Opening balance	Fair value gains or loss through profit or loss	Accumulated fair value through equity	Provision for the period	closing balance
Financial assets					
Cash and balances with financial institutions	2,451,586,939	-	-	-	1,296,255,321
Loans and trade receivables	126,848,334	-	-	-	199,272,186
Financial liabilities					
Borrowings	5,735,688,000	-	-	-	5,269,738,400
Trade payables	165,525,098	-	-	-	50,018,632

30 June 2009

	Opening balance	Fair value gains or loss through profit or loss	Accumulated fair value through equity	Provision for the period	Closing balance
Financial assets					
Cash and balances with financial institutions	856,913,939	-	-	-	3,712,021,067
Loans and trade receivables	311,197,065	-	-	-	74,790,927
Financial liabilities					
Borrowings	1,227,855,340	-	-	-	5,987,661,639
Trade payables	57,900,298	-	-	-	85,108,451

Notes to Interim Financial Statements (Continued)

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X. OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Operating 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.

The Group's information

Products and service information

External principle operation income

	For the six months ended 30 June	
	2010 Unaudited RMB	2009 Unaudited RMB
Sale of steel products	28,746,901,576	21,579,876,293
Sale of steel billets and pig iron	256,515,022	7,058,321
Sale of coke by-products	579,787,056	473,168,718
Others	609,564,458	631,228,565
Total	<u>30,192,768,112</u>	<u>22,691,331,897</u>

Geographical information

External principle operation income

	For the six months ended 30 June	
	2010 Unaudited RMB'000	2009 Unaudited RMB'000
The PRC	29,212,894	22,416,181
Overseas	979,874	275,151
Total	<u>30,192,768</u>	<u>22,691,332</u>

Notes to Interim Financial Statements (Continued)

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X. OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Operating segment information (Continued)

The Group's information (Continued)

Geographical information (Continued)

Non-current assets

	30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
The PRC	40,871,820	45,125,477
Overseas	105,699	103,786
Total	<u>40,977,519</u>	<u>45,229,263</u>

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

Major customer information

The Group has not placed reliance on any single external customer which accounted for 10% or more of its revenue.

XI. COMPARATIVE AMOUNTS

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

Notes to Interim Financial Statements (Continued)

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XII. MAJOR NOTES TO INTERIM COMPANY FINANCIAL STATEMENTS

1. Trade receivables

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

The ageing of trade receivables is analysed below:

	30 June 2010 Unaudited	31 December 2009 Audited
Within one year	1,183,742,325	1,003,647,048
One to two years	48,814,270	62,300,156
Two to three years	26,509,612	7,532,611
Over three years	15,912,041	15,912,041
	1,274,978,248	1,089,391,856
Less: Provisions for bad debts	18,024,332	18,020,332
Total	1,256,953,916	1,071,371,524

Trade receivables balance is analysed as follows:

	30 June 2010 Unaudited				31 December 2009 Audited			
	Balance	Ratio	Provision for bad debts	Ratio	Balance	Ratio	Provision for bad debts	Ratio
Individually significant	602,167,760	47	(14,184,569)	2	667,700,187	61	(14,184,569)	2
Other insignificant	672,810,488	53	(3,839,763)	1	421,691,669	39	(3,835,763)	1
Total	1,274,978,248	100	(18,024,332)		1,089,391,856	100	(18,020,332)	

Notes to Interim Financial Statements (Continued)

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

1. Trade receivables (Continued)

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

Reason	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Debtors with age over 3 years and demonstrated by sufficient evidence that they were irrecoverable	–	–
Less: Amount received after written-off	4,000	138,000
Total	<u>(4,000)</u>	<u>(138,000)</u>

The movement of bad debts provisions for trade receivables for the current period is disclosed in Note 3.

As at 30 June 2010, the top five largest customers were as follows:

	Relationship with the Company	Balance	Aging	Ratio (%)
Company 1	Subsidiary	280,767,575	One to two years	22
Company 2	Subsidiary	141,734,488	Within one year	11
Company 3	Subsidiary	98,858,600	Within one year	8
Company 4	Independent third party	97,550,110	Within one year	8
Company 5	Subsidiary	64,524,175	Within one year	5
		<u>683,434,948</u>		<u>54</u>

Notes to Interim Financial Statements (Continued)

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

1. Trade receivables (Continued)

As at 31 December 2009, the top five largest customers were as follows:

	Relationship with the Company	Balance	Aging	Ratio (%)
Company 1	Subsidiary	247,050,549	Within one year	23
Company 2	Independent third party	235,794,221	Within one year	22
Company 3	Independent third party	117,618,163	Within one year	10
Company 4	Subsidiary	76,945,027	Within one year	7
Company 5	Subsidiary	32,035,868	Within one year	3
		<u>709,443,828</u>		<u>65</u>

The following balances are denominated in foreign currencies:

	30 June 2010 (Unaudited)			31 December 2009 (Audited)		
	Original currency	Exchange rate	RMB equivalents	Original currency	Exchange rate	RMB equivalents
USD	26,195,734	6.7909	<u>177,892,610</u>	14,803,550	6.8282	<u>101,081,600</u>

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

2. Other receivables

The ageing of other receivables is analysed below:

	30 June 2010 Unaudited	31 December 2009 Audited
Within one year	16,585,082	15,907,119
One to two years	1,146,702	1,568,803
Two to three years	13,523,079	12,772,383
Over three years	6,037,427	6,027,500
	37,292,290	36,275,805
Less: Provisions for bad debts	6,930,913	6,930,913
Total	30,361,377	29,344,892

Other receivables balance is analysed as follows:

	30 June 2010 Unaudited				31 December 2009 Audited			
	Balance	Ratio	Provision for bad debts	Ratio	Balance	Ratio	Provision for bad debts	Ratio
Individually significant	18,226,366	49	(2,400,000)	13	25,713,768	71	(2,400,000)	9
Other insignificant	19,065,924	51	(4,530,913)	24	10,562,037	29	(4,530,913)	43
Total	37,292,290	100	(6,930,913)		36,275,805	100	(6,930,913)	

The movement of bad debts provisions for other receivables for the current period is disclosed in Note 3.

Notes to Interim Financial Statements (Continued)

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

3. Assets impairment provisions

	For the six months ended 30 June 2010					Closing balance Unaudited
	Opening Balance Audited	Increase during the period Unaudited	Reversal Unaudited	Decrease during the period Write-back Unaudited	Write-off Unaudited	
Provisions for bad debts	24,951,245	-	-	-	4,000	24,955,245
Including: Trade receivables	18,020,332	-	-	-	4,000	18,024,332
Other receivables	6,930,913	-	-	-	-	6,930,913
Provisions for inventories	82,043,978	13,906,462	-	(33,732,704)	-	62,217,736
Including: Raw Materials	33,417,210	-	-	(33,417,210)	-	-
Work in Process	-	-	-	-	-	-
Finished goods	-	-	-	-	-	-
Spare parts	48,626,768	13,906,462	-	(315,494)	-	62,217,736
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	197,670,867	13,906,462	-	(33,732,704)	4,000	177,848,625

Notes to Interim Financial Statements (Continued)

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

3. Assets impairment provisions

	Opening Balance	For the six months ended 30 June 2009				Closing balance
		Increase during the period	Decrease during the period		Write-off	
			Reversal	Write-back		
	Audited	Unaudited	Unaudited	Unaudited	Unaudited	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	1,779,192,691	12,241,344	-	(1,640,089,650)	138,000	151,482,385

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2010
Renminbi Yuan

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

4. Revenue and cost of sales

Revenue is stated as follows:

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Principle operating income	29,397,308,973	22,368,486,406
Other operating income	2,566,275,696	1,813,989,747
Total	<u>31,963,584,669</u>	<u>24,182,476,153</u>

Cost of sales is stated as follows:

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Principal cost of sales	27,559,640,461	22,398,744,964
Other cost of sales	2,356,496,926	1,802,492,880
Total	<u>29,916,137,387</u>	<u>24,201,237,844</u>

Principal operating income is stated as follows:

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Sale of steel products	28,116,878,889	21,613,345,257
Sale of steel billets and pig iron	256,515,022	7,058,321
Sale of coke by-products	557,412,053	473,168,718
Others	466,503,009	274,914,110
Total	<u>29,397,308,973</u>	<u>22,368,486,406</u>

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2010
Renminbi Yuan

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

5. Assets impairment losses

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Reversal of provision for bad debts	–	–
Including: Trade receivables	–	–
Other receivables	–	–
Provision for inventories	13,906,462	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>13,906,462</u>	<u>12,241,344</u>

6. Investment income

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Long term equity investments income under equity method	82,228,847	74,162,290
Long term equity investments income under cost method	172,432,210	25,912,871
Other equity investment income	4,394	5,233
Total	<u>254,665,451</u>	<u>100,080,394</u>

Notes to Interim Financial Statements (Continued)

(Prepared under China Accounting Standards)
30 June 2010
Renminbi Yuan

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

7. Cash flows from operating activities:

	For the six months ended 30 June	
	2010 Unaudited	2009 Unaudited
Net profit/(loss)	1,005,779,502	(860,329,531)
Add: Provision for inventories	13,906,462	12,241,344
Depreciation of fixed assets	2,307,748,886	2,294,052,928
Amortisation of investment properties	405,049	34,453
Amortisation of intangible assets	15,922,501	15,923,184
Amortisation of deferred income	(38,906,757)	(33,928,671)
Net gain on disposal of non-current assets	(1,347,085)	(2,124,795)
Financial expenses	332,787,123	481,602,879
Investment income	(254,665,451)	(100,080,394)
Loss/(gain) on fair value changes	87,920	(271,500)
Decrease/(increase) in deferred tax assets	328,086,567	(3,037,924)
Decrease/(increase) in inventories	(2,183,983,318)	1,555,985,727
Increase in receivables from operating activities	(3,264,557,301)	(1,833,767,570)
Increase in payables from operating activities	233,129,839	3,440,967,437
Net cash flows from operating activities	<u>(1,505,606,063)</u>	<u>4,967,267,567</u>

XIII. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the board of directors on 19 August 2010.

Appendix Supplementary Information

30 June 2010

1. NON-RECURRING GAINS OR LOSSES ITEMS

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
Non-recurring gains or losses items		
Gain/(loss) on disposal of non-current assets	2,118,190	2,514,845
Subsidies income	39,305,498	49,469,080
Amortisation of deferred income	39,855,757	34,597,670
Other non-operating income and expense items	(418,009)	(1,311,830)
Gain/(loss) on fair value changes	(87,920)	271,500
Dividends from financial assets held for trading	4,551	–
Other investment income	(157)	–
	<u>80,777,910</u>	<u>85,541,265</u>
Less: Income tax effect	9,516,186	733,494
Non-recurring gains or losses attributable to minority shareholders	1,720,377	1,105,932
	<u>69,541,347</u>	<u>83,701,839</u>
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	1,041,639,495	(795,420,710)
Less: Net effect of non-recurring gains or losses	69,541,347	83,701,839
	<u>972,098,148</u>	<u>(879,122,549)</u>

The calculation of non-recurring gains or losses is in accordance with the notice of No.43 [2008] "Regulation for the preparation of information disclosure by listed securities companies No.1 – Non-recurring Gains or Losses (2008 revised)" issued by CSRC.

Appendix Supplementary Information (Continued)

30 June 2010

2. 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").

3. RETURN ON NET ASSETS AND EARNINGS PER SHARE

For the six months ended 30 June 2010

	Return on net assets (%)	Earnings per share (RMB)	
		Basic	Diluted
Net profit attributable to equity holders of the parent	3.86	0.135	N/A
Net profit attributable to equity holders of the parent excluding non-recurring gains or losses	<u>3.60</u>	<u>0.126</u>	<u>N/A</u>

For the six months ended 30 June 2009

	Return on net assets (%)	Earnings per share (RMB)	
		Basic	Diluted
Net loss attributable to equity holders of the parent	(3.10)	(0.103)	N/A
Net loss attributable to equity holders of the parent excluding non-recurring gains or losses	<u>(3.43)</u>	<u>(0.114)</u>	<u>N/A</u>

Return on net assets and earnings per share are calculated based on the formula stipulated in the notice of No.9 [2010] "Regulation for the preparation of information disclosure for listed securities companies No.9 – Calculation and disclosure of return on net assets and earnings per share" (2010 revised) issued by CSRC.

4. VARIANCE ANALYSIS

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

- (1) The Group's bills receivable amounted to RMB6,834,742,855, an increase of 55% over the previous year-end, which was mainly attributable to the increase in bank acceptance bills arisen from sales as a result of the increased sales revenue.
- (2) The Group's dividends receivable amounted to RMB42,119,078, an increase of 70% over the previous year-end, which was mainly attributable to the fact that the Group had not received all the 2009 dividends declared by jointly-controlled entities.
- (3) The Group's other receivables amounted to RMB734,665,589, an increase of 174% over the previous year-end, which was mainly attributable to the increase in prepayments for import customs and taxes as a result of the increased import of raw materials, fuels, etc.
- (4) The Group's prepayments amounted to RMB1,230,915,986, an increase of 50% over the previous year-end, which was mainly attributable to the increase in prepayments for import customs and taxes as a result of the increased import of raw materials, fuels, etc.
- (5) The Group's inventories amounted to RMB11,900,405,557, an increase of 32% over the previous year-end, which was mainly attributable to the rising price of raw materials during the current period.
- (6) The Group's deferred tax assets amounted to RMB447,244,836, a decrease of 43% over the previous year-end, which was mainly attributable to the increase of profit before tax for the current period and utilised the accumulated tax loss.
- (7) The Group's taxes payable amounted to RMB(216,071,480), a decrease of 152% over the previous year-end, which was mainly attributable to the increase in prepayments of corporate income taxes.
- (8) The Group's interests payable amounted to RMB20,025,105, an increase of 146% over the previous year-end, which was mainly attributable to the increase of non-current liabilities due within one year.
- (9) The Group's other payable amounted to RMB998,996,585, an increase of 33% over the previous year-end, which was mainly attributable to the increase in sales incentive accrued as a result of the increased sales revenue during the current period compared with the prior comparative period.

Appendix Supplementary Information (Continued)

30 June 2010

4. VARIANCE ANALYSIS (CONTINUE)

- (10) The Group's non-current liabilities due within one year amounted to RMB1,518,525,556, an increase of 86% over the previous year-end, which was mainly attributable to the increase in long-term borrowings due within one year.
- (11) The Group's exchange fluctuation reserve amounted to RMB(1,857,443), a decrease of 111% over the previous year-end, which was mainly attributable to the decrease in Australian dollar against Renminbi for a subsidiary operated in Australia.
- (12) The Group's revenue amounted to RMB31,676,470,966, an increase of 35% over the previous comparative period, which was mainly attributable to the increase in both sales volume and average selling price.
- (13) The Group's business taxes and surcharges amounted to RMB173,895,391, an increase of 143% over the previous comparative period, which was mainly attributable to the increase in sales revenue.
- (14) The Group's gain/(loss) on fair value changes amounted to RMB(87,920), a decrease of 132% over the previous comparative period, which was mainly attributable to the decrease in the fair value of financial assets held for trading.
- (15) The Group's non-operating expenses amounted to RMB418,009, a decrease of 69% over the previous comparative period, which was mainly attributable to the decrease in penalty cost.
- (16) The Group's income tax amounted to RMB390,186,567, an increase of 4946% over the previous comparative period, which was mainly attributable to the increase in profit for the current period.
- (17) Share of profit or loss for minority interests amounted to RMB37,834,362, a decrease of 31% over the previous comparative period, which was mainly attributable to the decrease in the proportionate share in equity attributable to minority shareholders.

Interim Consolidated Income Statement

(Prepared under Hong Kong Financial Reporting Standards)

For the six months ended 30 June 2010

	Notes	For the six months ended 30 June	
		2010 Unaudited RMB'000	2009 Unaudited RMB'000
REVENUE	4	30,192,768	22,691,332
Cost of sales		(27,893,768)	(22,458,359)
Gross profit		2,299,000	232,973
Other income and gains	4	383,227	145,377
Selling and distribution costs		(289,158)	(187,441)
Administrative expenses		(571,022)	(463,820)
Other operating expenses, net		(119)	(954)
Finance costs	5	(435,170)	(533,267)
Share of profits and losses of:			
Jointly-controlled entities		35,726	30,981
Associates		47,176	43,186
PROFIT/(LOSS) BEFORE TAX	6	1,469,660	(732,965)
Income tax expenses	7	(390,186)	(7,733)
PROFIT/(LOSS) FOR THE PERIOD		1,079,474	(740,698)
Attributable to:			
Owners of the parent		1,041,640	(795,421)
Minority interests		37,834	54,723
		1,079,474	(740,698)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		13.53 cents	(10.33) cents
Diluted		N/A	N/A

Details of the dividends payable and proposed for the period are disclosed in note 8 to the financial statements.

Interim Consolidated Statement of Comprehensive Income

(Prepared under Hong Kong Financial Reporting Standards)

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010 Unaudited RMB'000	2009 Unaudited RMB'000
PROFIT/(LOSS) FOR THE PERIOD	1,079,474	(740,698)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	(19,277)	33,705
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(19,277)	33,705
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,060,197	(706,993)
ATTRIBUTABLE TO:		
Owners of the parent	1,022,363	(761,716)
Minority interests	37,834	54,723
	1,060,197	(706,993)

Interim Consolidated Statement of Financial Position

(Prepared under Hong Kong Financial Reporting Standards)

30 June 2010

	Notes	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	36,058,241	38,272,899
Construction in progress	11	2,104,445	2,021,193
Investment properties		4,641	4,727
Prepaid land premiums		1,708,762	1,746,690
Other intangible asset		101,248	109,090
Interests in jointly-controlled entities		282,850	309,672
Interests in associates		608,560	580,959
Available-for-sale financial investments		108,772	108,772
Deferred tax assets		447,245	779,581
Total non-current assets		41,424,764	43,933,583
CURRENT ASSETS			
Inventories	12	11,757,717	8,835,996
Construction contracts	13	142,689	152,798
Trade and bills receivables	14	7,606,738	5,244,120
Prepayments, deposits and other receivables	15	2,007,701	1,116,255
Tax recoverable		290,436	141,960
Equity investments at fair value through profit or loss		949	1,037
Pledged time deposits	16	1,599,933	2,919,782
Cash and cash equivalents	16	5,214,281	5,780,536
Total current assets		28,620,444	24,192,484
CURRENT LIABILITIES			
Trade and bills payables	17	11,974,813	11,715,391
Other payables and accruals		8,943,693	7,853,123
Tax payable		25,515	34,148
Interest-bearing bank and other borrowings		2,785,798	1,989,246
Total current liabilities		23,729,819	21,591,908
NET CURRENT ASSETS		4,890,625	2,600,576
TOTAL ASSETS LESS CURRENT LIABILITIES		46,315,389	46,534,159

Interim Consolidated Statement of Financial Position (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2010

	Notes	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		46,315,389	46,534,159
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		12,660,412	13,603,960
Bonds with warrants	18	5,245,463	5,165,410
Deferred income		561,131	579,927
Total non-current liabilities		18,467,006	19,349,297
Net assets		27,848,383	27,184,862
EQUITY			
Equity attributable to owners of the parent			
Issued capital	19	7,700,681	7,700,681
Reserves		19,490,645	18,455,945
Proposed final dividends		–	308,027
		27,191,326	26,464,653
Minority interests		657,057	720,209
Total equity		27,848,383	27,184,862

Gu Jianguo

Director

Su Jianguang

Director

Interim Consolidated Statement of Changes in Equity

(Prepared under Hong Kong Financial Reporting Standards)

For the six months ended 30 June 2010

	Attributable to owners of the parent											
	Equity component											Total equity
	Issued share capital	Capital reserve account	of bonds with warrants	Statutory reserve	Enterprise Reserve fund	Exchange fluctuation fund	Retained profits	Proposed final dividend	Total	Minority interests		
	RMB'000	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 2010	7,700,681	8,338,359	-	2,956,282	58,836	42,802	17,420	7,042,246	308,027	26,464,653	720,209	27,184,862
Total comprehensive income for the period	-	-	-	-	-	-	(19,277)	1,041,640	-	1,022,363	37,834	1,060,197
Final 2009 dividend declared	-	-	-	-	-	-	-	(308,027)	(308,027)	-	-	(308,027)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(73,235)	(73,235)
Acquisition of minority interest	-	-	-	-	-	-	-	-	-	-	(32,791)	(32,791)
Others	-	-	-	12,337	-	-	-	-	-	12,337	5,040	17,377
At 30 June 2010 (Unaudited)	7,700,681	8,338,359*	-	2,968,619*	58,836*	42,802*	(1,857)*	8,083,886*	-	27,191,326	657,057	27,848,383
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
Total comprehensive income for the period	-	-	-	-	-	-	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)	7,700,681	8,338,359	-	2,928,527	45,729	34,267	(14,070)	6,211,774	-	25,245,267	595,022	25,840,289

* These reserve accounts comprise the consolidated reserves of RMB19,490,645,000 as at 30 June 2010 in the interim consolidated statement of financial position.

Interim Consolidated Statement of Cash Flows

(Prepared under Hong Kong Financial Reporting Standards)

For the six months ended 30 June 2010

	Notes	For the six months ended 30 June	
		2010 Unaudited RMB'000	2009 Unaudited RMB'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		(514,205)	6,358,176
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		722,298	(5,731,018)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(686,658)	1,297,621
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(478,565)	1,924,779
Cash and cash equivalents at beginning of period		5,502,948	5,437,367
Effect of foreign exchange rate changes, net		(61,318)	24,210
CASH AND CASH EQUIVALENTS AT END OF PERIOD		4,963,065	7,386,356
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	16	4,963,065	7,386,356

Notes to Interim Condensed Consolidated Financial Statements

(Prepared under Hong Kong Financial Reporting Standards)

30 June 2010

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 office of the Company is located at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC.

During the 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 2009.

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 2009 Annual Report and Accounts.

3. OPERATING 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	
	2010	2009
	Unaudited	Unaudited
	RMB’000	RMB’000
The PRC	29,212,894	22,416,181
Overseas	979,874	275,151
	30,192,768	22,691,332

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2010

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
The PRC	40,763,046	42,930,910
Overseas	105,699	114,320
	<u>40,868,745</u>	<u>43,045,230</u>

The non-current asset information above is based on the location of the assets and excludes financial instruments and deferred tax assets.

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

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:

	For the six months ended 30 June	
	2010 Unaudited RMB'000	2009 Unaudited RMB'000
Revenue		
Sale of goods	<u>30,192,768</u>	<u>22,691,332</u>
Other income and gains		
Subsidies income	39,305	49,469
Recognition of deferred income	39,856	34,598
Bank interest income	42,119	35,895
Dividend income from available-for-sale financial investments	4,794	8,057
Sales of fuels and raw materials	254,405	2,757
Net rental income	625	625
Others	2,123	13,976
	<u>383,227</u>	<u>145,377</u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)

30 June 2010

5. FINANCE COSTS

The Group's finance costs represent interests on bank loans, other loans and bonds with warrants repayable within five years.

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold (note i)	27,893,768	22,458,359
Depreciation of property, plant and equipment	2,413,616	2,388,753
Depreciation of investment properties	85	34
Recognition of prepaid land premiums	21,029	20,583
Amortisation of a mine participation right (note ii)	2,248	1,943
Auditors' remuneration	2,880	3,011
Staff costs:		
Wages and salaries	1,183,120	1,048,926
Welfare and benefits	383,626	319,601
Pension scheme contributions	272,598	236,550
	<u>1,839,344</u>	<u>1,605,077</u>
Contingent rents under operating leases in respect of land and buildings	24,265	20,168
Foreign exchange differences:		
Foreign exchange gains/(losses), net	20,126	(376)
Gain on disposal of items of property, plant and equipment, net	(1,190)	(2,515)
Net rental income	(625)	(625)
Bank interest income	(42,119)	(35,895)
Dividend income from available-for-sale financial investments	(4,794)	(8,057)
Recognition of deferred income (note iii)	(39,856)	(34,598)
	<u><u>1,839,344</u></u>	<u><u>1,605,077</u></u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2010

6. PROFIT BEFORE TAX (CONTINUED)

Notes:

- (i) Included in the cost of inventories sold for the six months ended 30 June 2010 is a write-back of provision against inventories of RMB19,826,000 (2009: RMB 1,746,361,000).
- (ii) The amortisation of a mine participation right is included in "Cost of sales" on the face of the condensed consolidated income statement.
- (iii) Various government grants have been received for the construction of specific projects and included in deferred income in the 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	
	2010	2009
	Unaudited	Unaudited
	RMB'000	RMB'000
Group:		
Current – The mainland of the PRC	48,149	4,337
Current – Elsewhere	9,701	14,344
Deferred	332,336	(10,948)
	<hr/>	<hr/>
Total tax charge for the period	390,186	7,733
	<hr/> <hr/>	<hr/> <hr/>

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".

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.



Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
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7. TAX (CONTINUED)

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 22% 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.

The Group is mainly subject to income taxes in various regions within the PRC. Where the final tax outcomes of the objective estimates and judgements are different from the amounts originally recorded, the differences will affect the income tax and tax provision in the period in which the differences are realised.

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 2010 (2009: Nil).

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of RMB1,041,640,000 (30 June 2009: loss of RMB795,421,000) and the weighted average of 7,700,681,186 (30 June 2009: 7,700,681,186) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2010 and 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)

30 June 2010

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Plant, machinery and equipment	Transportation vehicles and equipment	Total
	Unaudited	Unaudited	Unaudited	Unaudited
	RMB'000	RMB'000	RMB'000	RMB'000
30 June 2010				
At 1 January 2010:				
Cost	20,723,321	40,896,761	436,314	62,056,396
Accumulated depreciation and impairment	(6,396,815)	(17,038,122)	(348,560)	(23,783,497)
Net carrying amount	<u>14,326,506</u>	<u>23,858,639</u>	<u>87,754</u>	<u>38,272,899</u>
At 1 January 2010, net of accumulated depreciation and impairment	14,326,506	23,858,639	87,754	38,272,899
Additions	1	4,994	1,107	6,102
Transfer from construction in progress (note 11)	45,109	145,830	3,626	194,565
Reclassification	424,740	(432,689)	7,949	-
Depreciation provided during the period	(572,336)	(1,822,782)	(18,498)	(2,413,616)
Disposals/write-off	-	(437)	(560)	(997)
Exchange realignment	-	(712)	-	(712)
At 30 June 2010, net of accumulated depreciation and impairment	<u>14,224,020</u>	<u>21,752,843</u>	<u>81,378</u>	<u>36,058,241</u>
At 30 June 2010:				
Cost	21,513,028	40,285,984	438,247	62,237,259
Accumulated depreciation and impairment	(7,289,008)	(18,533,141)	(356,869)	(26,179,018)
Net carrying amount	<u>14,224,020</u>	<u>21,752,843</u>	<u>81,378</u>	<u>36,058,241</u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)

30 June 2010

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 2009				
At 1 January 2009:				
Cost	20,263,273	39,137,340	428,963	59,829,576
Accumulated depreciation and impairment	(5,236,313)	(13,514,754)	(309,013)	(19,060,080)
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	(1,416)	(1,006)	(2,002)	(4,424)
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	(5,815,285)	(15,269,837)	(328,928)	(21,414,050)
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 2010

11. CONSTRUCTION IN PROGRESS

30 June 2010

Cost:

At 1 January 2010

Additions

Transfers to property, plant and equipment (note 10)

At 30 June 2010

Accumulated impairment:

At 1 January 2010 and 30 June 2010

At 30 June 2010, net of accumulated impairment

Unaudited
RMB'000

2,021,193

277,817

(194,565)

2,104,445

—

2,104,445

Unaudited
RMB'000

30 June 2009

Cost:

At 1 January 2009

Additions

Transfers to property, plant and equipment (note 10)

At 30 June 2009

Accumulated impairment:

At 1 January 2009 and 30 June 2009

At 30 June 2009, net of accumulated impairment

2,754,591

1,334,744

(1,049,276)

3,040,059

—

3,040,059

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2010

12. INVENTORIES

	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Raw materials	7,197,313	4,501,953
Work in progress	747,456	1,249,927
Finished goods	2,036,317	1,130,116
Spare parts	1,776,631	1,954,000
	<u>11,757,717</u>	<u>8,835,996</u>

As at 30 June 2010, 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 RMB1,084,331,000 (31 December 2009: RMB329,306,000).

13. CONSTRUCTION CONTRACTS

	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Gross amount due from contract customers	<u>142,689</u>	<u>152,798</u>
Contract costs incurred to date plus recognised profits less recognised losses	746,929	269,508
Less: Progress billings	(604,240)	(116,710)
	<u>142,689</u>	<u>152,798</u>

As at 30 June 2010, retentions held by customers for contract works included in the Group's trade receivables amounted to RMB13 million (31 December 2009: RMB16 million).

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
30 June 2010

14. TRADE AND BILLS RECEIVABLES

	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Trade receivables	792,540	843,471
Bills receivable	6,834,743	4,421,190
	<u>7,627,283</u>	<u>5,264,661</u>
Impairment	(20,545)	(20,541)
	<u><u>7,606,738</u></u>	<u><u>5,244,120</u></u>

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 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Trade receivables:		
Within three months	491,808	658,413
Four to six months	134,855	64,211
Seven to twelve months	109,545	64,348
One to two years	29,034	27,319
Two to three years	5,683	8,018
Over 3 years	1,070	621
	<u>771,995</u>	<u>822,930</u>
Bills receivable	6,834,743	4,421,190
	<u><u>7,606,738</u></u>	<u><u>5,244,120</u></u>

Bills receivable will mature within one year.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)

30 June 2010

14. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	For the six months ended 30 June	
	2010 Unaudited RMB'000	2009 Unaudited RMB'000
At 1 January	20,541	19,815
Amount written off as uncollection	4	138
	<hr/>	<hr/>
At 30 June	20,545	19,953
	<hr/> <hr/>	<hr/> <hr/>

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 RMB28,754,000 (30 June 2009: RMB29,386,000). 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 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
	Neither overdue nor impaired	7,531,424
Overdue less than six months	59,897	18,624
Overdue over six months	15,417	25,606
	<hr/>	<hr/>
	7,606,738	5,244,120
	<hr/> <hr/>	<hr/> <hr/>

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 2010

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 RMB50,176,000 (31 December 2009: RMB27,369,000), RMB386,000 (31 December 2009: RMB1,149,000), respectively. Such balances principally arose from normal trading activities.

As at 31 December 2009, all of the Company's trade receivables were pledged as securities for the Group's bank loans of RMB680,000,000. Such loans have been repaid in the current period.

As at 30 June 2010, certain of the Group's bills receivable of RMB27,558,000 (31 December 2009: RMB29,000,000) were pledged as securities for the Group's bank loans.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Prepayments	1,230,916	823,339
Deposits and receivables	783,855	299,986
	<hr/> 2,014,771	<hr/> 1,123,325
Impairment	(7,070)	(7,070)
	<hr/> <hr/> 2,007,701	<hr/> <hr/> 1,116,255

There are no movement of the impairment for deposits and receivables during the six months ended 30 June 2010 and 2009.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)

30 June 2010

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 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Neither overdue nor impaired	767,928	287,452
Overdue less than six months	6,575	3,678
Overdue over six months	2,282	1,786
	<hr/> 776,785 <hr/> <hr/>	<hr/> 292,916 <hr/> <hr/>

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.

Included in the Group's prepayments, deposits and other receivables are amount due from Holding and its subsidiaries, and the Group's jointly-controlled entity and associate of RMB5,192,000 (31 December 2009: RMB1,483,000), RMB42,119,000 (31 December 2009: RMB6,751,000) and RMB0 (31 December 2009: RMB25,671,000), respectively.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

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16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Cash and bank balances	4,963,065	5,502,948
Time deposits	1,851,149	3,197,370
	<hr/> 6,814,214	<hr/> 8,700,318
Less: Pledged time deposits for		
– Trading facilities	(919,086)	(857,575)
– Performance bonds	(1,757)	(13,747)
– Other banking facilities	(679,090)	(2,048,460)
	<hr/> (1,599,933)	<hr/> (2,919,782)
Cash and cash equivalents in the consolidated statement of financial position	5,214,281	5,780,536
Less: Non-pledged time deposits with original maturity greater than three months when acquired	(251,216)	(277,588)
	<hr/> 4,963,065	<hr/> 5,502,948
Cash and cash equivalents in the consolidated statement of cash flows	<hr/> <hr/> 4,963,065	<hr/> <hr/> 5,502,948

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)
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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 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Within one year	11,800,193	11,530,506
One to two years	86,145	110,735
Two to three years	63,194	35,436
Over three years	25,281	38,714
	<u>11,974,813</u>	<u>11,715,391</u>

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

Included in the Group's trade and bills payables are amounts due to Holding and its subsidiaries, and the Group's jointly-controlled entities and associates of RMB33,543,000 (31 December 2009: RMB110,024,000), RMB13,113,000 (31 December 2009: RMB13,002,000) and RMB13,915,000 (31 December 2009: RMB21,351,000), respectively. Such balances principally arose from normal trading activities.

18. BONDS WITH WARRANTS

	For the six months ended 30 June	
	2010 Unaudited RMB'000	2009 Unaudited RMB'000
Opening balance	5,165,410	4,992,975
Interest expense	129,034	124,718
Interest paid	—	—
	<u>5,294,444</u>	<u>5,117,693</u>
Less: Portion classified as current liability	(48,981)	(48,981)
	<u>5,245,463</u>	<u>5,068,712</u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

(Prepared under Hong Kong Financial Reporting Standards)

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18. BONDS WITH WARRANTS (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 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.

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.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

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19. SHARE CAPITAL

	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Issued and fully paid:		
Individual A shares of RMB1.00 each	5,967,751	5,967,751
H shares of RMB1.00 each	1,732,930	1,732,930
	<hr/> 7,700,681 <hr/>	<hr/> 7,700,681 <hr/>

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.

20. CONTINGENT LIABILITIES

- (a) As at 30 June 2010, the Company had granted guarantees amounting to approximately RMB2,873,500,000 (31 December 2009: approximately RMB3,856,674,000) to banks in connection with facilities granted to its subsidiaries. On that date, there were no banking facilities were utilised (31 December 2009: RMB616,246,000).
- (b) As detailed in note 7 to the 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)

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21. OPERATING LEASE ARRANGEMENTS

The Group has leased its investment properties under an operating lease arrangement ranging from 5 to 18 years. The periodic rent is fixed during the operating lease period.

At 30 June 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Within one year	1,750	1,750
In the second to fifth years, inclusive	6,500	7,000
After five years	9,533	9,908
	<u>17,783</u>	<u>18,658</u>

22. COMMITMENTS

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

	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Authorised, but not contracted for	3,087,372	4,872,181
Contracted, but not provided for	1,211,189	1,860,432
	<u>4,298,561</u>	<u>6,732,613</u>

Notes to Interim Condensed Consolidated Financial Statements (Continued)

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22. COMMITMENTS (CONTINUED)

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

	As at 30 June 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Authorised, but not contracted for	70,000	–

(c) The Group's share of the capital commitments of a jointly-controlled entity, 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 2010 Unaudited RMB'000	As at 31 December 2009 Audited RMB'000
Authorised, but not contracted for	666	797

Notes to Interim Condensed Consolidated Financial Statements (Continued)

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23. 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	
		2010	2009
Notes		Unaudited RMB'000	Unaudited RMB'000
<i>Transactions with Holding and its subsidiaries:</i>			
Purchases of iron ore	(i)	1,016,940	1,265,854
Fees paid for welfare, support services and other services	(ii), (iii)	88,979	69,291
Rental expenses	(iii)	24,265	20,168
Agency fee paid	(iii)	1,171	2,056
Purchases of property, plant and equipment and construction services	(iii)	43,082	75,692
Fees received for the supply of utilities, services and other consumable goods	(iii)	(49,616)	(11,136)
Sale of steel and other by-products	(iii)	(1,837)	(1,365)
Financial costs	(iv)	907	430
		=====	=====
<i>Transactions with associates of the Company:</i>			
Purchases of coke	(iii)	238,854	574,914
Loading expenses	(iii)	74,348	63,540
		=====	=====
<i>Transactions with a jointly-controlled entity of the Company:</i>			
Rental income	(iii)	(625)	(625)
Fees received for the supply of electricity	(iii)	(127,733)	(129,657)
Fees received for the provision of general public utilities	(iii)	(2,318)	(2,339)
Fees received for the provision of technical services	(iii)	(120)	-
Sales of steam products	(iii)	(1,280)	(1,605)
Purchases of gas products	(iii)	242,386	237,352
		=====	=====

Notes to Interim Condensed Consolidated Financial Statements (Continued)

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23. 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 15 October 2009 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.
 - (iii) These transactions were conducted on terms mutually agreed between the Group and the related parties.
 - (iv) The financial costs were arising from the entrusted loan lent by Holding. Further details of the entrusted loan arrangement were described in note (c) (iii) below.
- (b) Holding has guaranteed certain bank loans of the Group and bonds with warrants amounting to RMB9.8 billion (31 December 2009: approximately RMB9.3 billion) at nil consideration.
- (c) Outstanding balances with related parties:
- (i) Included in the Group's other payables and accruals are amounts due to Holding and its subsidiaries and the Group's associates, amounting to RMB907,220,000 (31 December 2009: RMB797,018,000) and RMB4,832,000 (31 December 2009: RMB367,000), respectively.
 - (ii) Further details of balances of the Group with Holding and its subsidiaries, the Groups's jointly-controlled entities and associates are set out in notes 14, 15 and 17 to the condensed consolidated financial statements.
 - (iii) Certain bank loans of RMB10,000,000 in aggregate (31 December 2009: 40,000,000) 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%.

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.

Notes to Interim Condensed Consolidated Financial Statements (Continued)

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

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

25. APPROVAL OF THE INTERIM FINANCIAL STATEMENT

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 19 August 2010.



IX. 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

19 August 2010
Maanshan City, Anhui Province, the PRC