



馬鞍山鋼鐵股份有限公司  
**Maanshan Iron & Steel Company Limited**

*(a joint stock limited company incorporated in the People's Republic of China)*  
**(Stock Code: 323)**

**OVERSEAS REGULATORY ANNOUNCEMENT**  
**2007 THIRD QUARTERLY REPORT**

This announcement is made pursuant to rules 13.09(1) and (2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**1. IMPORTANT**

- 1.1 The board of directors (the “Board”), the supervisory committee and directors, supervisors and senior management of Maanshan Iron & Steel Company Limited (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.
- 1.2 Mr. Gu Zhanggen, Deputy Chairman, and Mr. Gao Haijian, a Director, were unavailable for attending the Board meeting due to business engagement; and Mr. Gu Zhanggen, Deputy Chairman, had appointed Mr. Gu Jianguo, Chairman, to attend the meeting and vote on his behalf.
- 1.3 Mr. Gu Jianguo, the person-in-charge of the Company, Mr. Su Jianguang, the overseer of accounting operations, and Mr. Guan Yagang, person-in-charge of the Accounting Department, make representations in respect of the truthfulness and completeness of the financial statements contained in the quarterly report.
- 1.4 The financial statements contained in this third quarterly report have not been audited, but have been reviewed by the Company’s audit committee. All financial information set out in this quarterly report has been prepared in accordance with PRC Accounting Standards for Business Enterprises.

## 2. BASIC INFORMATION OF THE COMPANY

### 2.1 Major accounting data and financial indicators

Unit: RMB

	As at the end of the reporting period	As at the end of the previous year	Increase/(decrease) of the end of the reporting period as compared to the end of the previous year (%)
Total assets	71,624,315,697	54,851,010,496	30.58
Shareholders' equity	21,583,934,736	20,846,781,329	3.54
Net assets per share	3.34	3.23	3.41
			Increase/(decrease) as compared to the corresponding period of the previous year (%)
		Beginning of the year to the end of the reporting period	
Net cash flow from operating activities		1,104,544,218	-54.16
Net cash flow per share from operating activities		0.171	-54.16
			Increase/(decrease) of the reporting period as compared to the corresponding period of the previous year (%)
	Reporting period	Beginning of the year to the end of the reporting period	
Net profit	490,259,560	1,576,342,407	-18.68
Basic earnings per share	0.0759	0.2442	-18.74
Basic earnings per share excluding non-recurring gains or losses	0.0734	0.2542	N/A
Diluted earnings per share	0.0672	0.2130	N/A
Return on net assets (%)	2.27	7.30	Down 0.84 pct. pt.
Return on net assets after deduction of non-recurring gains or losses (%)	2.25	7.58	Down 0.85 pct. pt.

<b>Non-recurring gains or losses</b>	<b>Amount (from the beginning of the year to the end of the reporting period)</b>
Net gains/losses on disposal of non-current fixed assets	(86,739,943)
Government subsidies	13,127,227
Other non-operating income and expenses	(2,282,279)
Income tax effect	11,327,056
Total	<u>(64,567,939)</u>

*Note:* Shareholders' equity for shareholders of the parent company's ordinary shares is used for data and indicators involving shareholders' equity; net profit attributable to shareholders of the parent company's ordinary shares is used for data and indicators involving profits.

## **2.2 Total number of shareholders as at the end of the reporting period and the top ten holders of circulating shares not subject to selling restrictions**

*Unit: Share*

**Total number of shareholders at the end of the reporting period** As at the end of the reporting period, the Company had a total of 148,254 shareholders, among whom 146,774 were A share shareholders and 1,480 were H share shareholders.

### **Top ten holders of circulating shares not subject to selling restrictions**

<b>Name of shareholder</b>	<b>Number of circulating shares held as at the end of the reporting period</b>	<b>Type of shares</b>
HKSCC Nominees Limited	1,705,782,997	Overseas-listed foreign shares
Invesco Great Wall Newly Growth Stock Fund	36,000,000	RMB-denominated ordinary shares
E Fund Value Growth Mixed Fund	31,842,403	RMB-denominated ordinary shares
Dacheng Innovation Growth Mixed Fund	31,051,124	RMB-denominated ordinary shares
Changxin Jinli Trend Stock Fund	28,506,319	RMB-denominated ordinary shares
Haitong-Bank of China-FORTIS BANK SA/NV (海通 – 中行 – FORTIS BANK SA/NV)	27,344,632	RMB-denominated ordinary shares
Invesco Great Wall Selected Blue Chip Stock Fund	24,180,030	RMB-denominated ordinary shares
Everbright Pramerica Quantified Core Fund	21,552,050	RMB-denominated ordinary shares
Invesco Great Wall Domestic Demand Open-ended Fund	21,495,050	RMB-denominated ordinary shares
Morgan Stanley China A Share Fund	20,366,616	RMB-denominated ordinary shares

### 3. SIGNIFICANT MATTERS

#### 3.1 Details and reasons for material changes in the major financial statement items and financial indicators of the Company

Items with more substantial changes as compared to the end of 2006 in the consolidated financial statements and the reasons for such changes:

<b>Account item</b>	<b>Change</b>	<b>Reason for changes</b>
Bills receivable	659.86%	Decrease in the amount of bills discounted during January-September 2007 (the “Period”)
Trade receivables	36.32%	Increase in export sales with deferred payment terms during the Period
Prepayments	89.05%	Increase in prepayments for material purchases during the Period
Inventories	50.34%	Increase in inventories of raw materials and finished products at the end of the Period
Investment properties	-64.67%	Resumption of leased land use rights for the Company’s own use
Fixed assets	99.38%	Transfers of certain construction-in-progress items to fixed assets upon reaching available status
Construction-in-progress	-59.14%	Transfers of certain construction-in-progress items to fixed assets upon reaching available status
Short-term loans	434.48%	Increase in the use of liquidity loans for payments of raw material imports
Bills payable	32.54%	Increase in the amount of material purchases paid by bankers’ acceptance bills
Accounts payable	99.55%	Increase in equipment payables incurred by the Eleventh Five-year Plan constructions
Deposits received	86.72%	Increase in sales revenue during the Period
Dividends payable	219.04%	Payable but not yet paid 2006 dividends and transfers from other non-current liabilities during the Period
Non-current liabilities due within one year	504.02%	Increase in certain long-term loans due within 1 year
Other non-current liabilities	-89.57%	Payables to Magang Group Holding Company Limited (“Holding”) will be due within 1 year and transferred to current liabilities

Items with more substantial changes as compared to January-September 2006 in the consolidated financial statements and the reasons for such changes:

<b>Account item</b>	<b>Change</b>	<b>Reason for changes</b>
Revenue	33.04%	Increase in sales volume of the Company's steel products during the Period
Cost of sales	34.42%	Increase in sales volume of the Company's steel products during the Period
Taxes and surcharges	122.38%	Increase in revenues and export tariffs during the Period
Financial expenses	216.81%	Increase in expenses of bank loans and bond interest payables during the Period
Investment income	291.75%	Increase in the Company's share of profits from associates and joint ventures during the Period
Non-operating income	59.48%	Increase in government subsidies during the Period
Non-operating expenses	10 times	Increase in loss from disposal of fixed assets arising from the disposal of certain fixed assets during the Period
Minority interests	65.93%	Increase in after-tax profits from non-wholly owned subsidiaries included in the scope of consolidation during the Period
Net cash flows from operating activities	-54.16%	Decrease in the discounting volume of bankers' acceptance bills received from steel product sales during the Period; increase in payments for purchases of raw materials and fuel by the Company during the Period as a result of expanded production scale
Net cash flows from investing activities	-57.90%	Decrease in payments of construction project expenses during the Period
Net cash flows from financing activities	-39.62%	Repayment of certain due loans and interests by the Company during the Period

### **3.2 Analysis of progress and impact of major events and solutions**

On 5 July 2007, the Company noticed through the news media that the State Administration of Taxation had published a notice, ordering the relevant local tax authorities to rectify immediately any continued application of the already expired concessionary policy for the nine companies listed overseas in 1993. The income tax differences for previous years arising from the applicable expired concessionary tax policy shall be treated in accordance with the relevant rules under the Law on the Administration of Tax Collection. Accordingly, the Company published an announcement regarding the issue on the websites of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited, as well as the Shanghai Securities News on 6 July 2007. As at the time of disclosure in this report, the Company had not yet received any notice from the tax authorities requesting the Company to adjust its income tax rate. Accordingly, the Company continued to adopt the 15% income tax rate for the reporting period, the same as in the previous fiscal year.

“The Enterprise Income Tax Law of the People’s Republic of China” was approved at the fifth meeting of the tenth session of the National People’s Congress closed on 16 March 2007, and will be implemented on 1 January 2008. The new enterprise income tax law introduces a series of changes, such as the unified enterprise income tax rate of 25% for both domestic and foreign enterprises. As the detailed implementation guidelines and management rules are not yet available, it is impossible to make reasonable estimates on the future financial impact on the Company to be brought by implementation of the new enterprise income tax law.

### **3.3 Undertakings made by the Company, shareholders and the de facto controller and their implementation**

As a process of the State Share Reform in 2006, the following special undertakings made by the controlling shareholder Holding continued to be effective during the reporting period:

- a) After the implementation of the State Share Reform, the Company’s shares held by Holding will not be listed for trading or transferred within 12 months from the date of obtaining circulation right, and the State-owned shares held by Holding also will not be listed for trading or transferred in the following 24 months. However, so far as it is permitted under the scope of prevailing policies, Holding may carry out incentive stock option plan(s) or share transfer to particular investor(s). Target(s) of the incentive stock option plan(s) should hold the shares for such period as prescribed under the relevant policies and the particular investor(s) should, after acquiring the shares from Holding, continue to hold such transfer for the same period as undertaken by Holding.

b) Holding pays all the costs and expenses arising from the State Share Reform.

Moreover, Holding makes representations as follows:

- i) If Holding acts in breach of the above undertakings, it will bear the following breach liabilities in accordance with the law: Holding will be liable for making compensation in respect of the direct economic losses suffered by the other shareholders of the Company as a result of Holding's breach of the above undertakings. Moreover, Holding will, in accordance with the relevant provisions of Chapter 7 "Regulatory Measures and Legal Liabilities" of the Administrative Procedures of the State Share Reform of Listed Companies, accept any punishment imposed by the regulatory authorities such as the China Securities Regulatory Commission and the Shanghai Stock Exchange, and will bear any legal liabilities accordingly.
- ii) Holding will perform its undertakings in a faithful manner and bear any legal liabilities accordingly. Unless the transferee agrees and has the ability to bear the liabilities for the undertakings, Holding will not transfer the shares it held otherwise.

During the reporting period, Holding fully complied with such undertakings.

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

#### 4. APPENDIX

##### A. Unaudited quarterly financial statements of Maanshan Iron & Steel Company Limited

### Maanshan Iron & Steel Company Limited

#### Consolidated Balance Sheet

(Prepared under the PRC Accounting Standards for Business Enterprises)

30 September 2007

Unit: RMB

<b>Assets</b>	<b>30 September 2007 Unaudited</b>	<b>31 December 2006 Audited (Restated)</b>
<b>Current assets:</b>		
Cash and balances with financial institutions	5,286,326,157	4,160,704,714
Bills receivable	5,175,659,289	681,137,717
Trade receivable	793,975,673	582,420,964
Prepayments	1,150,788,299	608,716,305
Other receivables	181,206,825	160,637,099
Inventories	9,832,442,595	6,540,131,949
<b>Total current assets</b>	<b>22,420,398,838</b>	<b>12,733,748,748</b>
<b>Non-current assets:</b>		
Held-to-maturity investment	8,258,870	8,258,870
Long-term equity investments	655,743,264	580,331,440
Investment properties	1,257,529	3,559,300
Fixed assets	37,388,263,169	18,752,595,064
Construction materials	1,770,779,755	2,334,055,945
Construction-in-progress	7,654,160,360	18,732,921,149
Intangible assets	1,598,478,912	1,570,974,980
Deferred tax assets	126,975,000	134,565,000
<b>Total non-current assets</b>	<b>49,203,916,859</b>	<b>42,117,261,748</b>
<b>Total asset</b>	<b>71,624,315,697</b>	<b>54,851,010,496</b>



**Maanshan Iron & Steel Company Limited**  
**Consolidated Balance Sheet (Cont'd)**  
(Prepared under the PRC Accounting Standards for Business Enterprises)  
30 September 2007  
Unit: RMB

<b>Liabilities and shareholders' equity</b>	<b>30 September 2007 Unaudited</b>	<b>31 December 2006 Audited (Restated)</b>
<b>Current liabilities:</b>		
Short-term loans	2,132,669,714	399,018,506
Bills payable	1,785,158,360	1,346,880,982
Accounts payable	9,280,812,410	4,650,841,361
Deposits received	7,328,074,627	3,924,584,355
Payroll and benefits payable	301,084,987	297,882,337
Taxes payable	215,934,008	299,623,169
Interests payable	86,692,019	66,785,238
Dividends payable	1,303,757,138	408,654,914
Other payables	694,644,967	766,937,747
Non-current liabilities due within one year	2,474,980,556	409,752,537
<b>Total current liabilities</b>	<b>25,603,808,786</b>	<b>12,570,961,146</b>
<b>Non-current liabilities:</b>		
Long-term loans	18,986,607,550	15,713,139,994
Bonds payable	4,798,434,707	4,672,376,376
Specific payables	116,266,523	116,566,523
Other non-current liabilities	51,799,343	496,543,959
Deferred tax liabilities	113,987,000	124,144,000
<b>Total non-current liabilities</b>	<b>24,067,095,123</b>	<b>21,122,770,852</b>
<b>Total liabilities</b>	<b>49,670,903,909</b>	<b>33,693,731,998</b>
<b>Shareholders equity:</b>		
Share capital	6,455,300,000	6,455,300,000
Capital reserve	6,039,008,494	6,039,008,494
Surplus reserves	2,637,160,200	2,637,160,200
Retained profits	6,452,466,042	5,715,312,635
including: Cash dividend proposed by directors	–	1,032,848,000
Equity attributable to equity holders of the parent	21,583,934,736	20,846,781,329
Minority interests	369,477,052	310,497,169
<b>Total shareholders' equity</b>	<b>21,953,411,788</b>	<b>21,157,278,498</b>
<b>Total liabilities and shareholders' equity</b>	<b>71,624,315,697</b>	<b>54,851,010,496</b>

**Maanshan Iron & Steel Company Limited**  
**Consolidated Income Statement**  
(Prepared under the PRC Accounting Standards for Business Enterprises)  
*Nine Months Ended 30 September 2007*  
Unit: RMB

	July- September 2007 Unaudited	January- September 2007 Unaudited	July- September 2006 Unaudited (Restated)	January- September 2006 Unaudited (Restated)
<b>Revenue</b>	13,734,172,820	34,760,884,774	9,400,234,191	26,127,218,639
Less: Cost of sales	(12,341,853,096)	(30,935,501,573)	(8,278,171,979)	(23,014,655,103)
Taxes and surcharges	(216,490,794)	(384,593,119)	(55,558,987)	(172,943,304)
Selling expenses	(75,102,110)	(198,804,527)	(60,072,877)	(184,244,523)
Administrative expenses	(234,071,316)	(677,058,508)	(188,922,052)	(557,759,671)
Financial expenses	(358,441,538)	(666,141,874)	(72,980,917)	(210,263,011)
Assets impairment losses	-	-	(43,276,157)	11,581,200
Add: Investment income	82,396,872	120,262,141	15,578,433	30,698,956
including: Share of profits of associates and a jointly controlled entity	56,570,603	94,435,872	15,578,433	25,403,995
<b>Operating profit</b>	<b>590,610,838</b>	<b>2,019,047,314</b>	716,829,655	2,029,633,183
Add: Non-operating income	14,171,601	18,435,669	9,499,882	11,560,024
Less: Non-operating expenses	6,584,235	(90,100,430)	10,771,784	9,637,056
including: Loss/(gain) on disposal of non-current assets	7,204,771	(87,099,697)	7,798,011	9,474,564
<b>Total profit</b>	<b>611,366,674</b>	<b>1,947,382,553</b>	737,101,321	2,050,830,263
Less: Income tax	(98,722,420)	(314,624,949)	(117,275,845)	(348,810,455)
<b>Net profit</b>	<b>512,644,254</b>	<b>1,632,757,604</b>	619,825,476	1,702,019,808
Attributable to: Equity holders of the parent	490,259,560	1,576,342,407	602,877,087	1,668,021,088
Minority interests	22,384,694	56,415,197	16,948,389	33,998,720
<b>Earnings per share:</b>				
Basic	7.59 cents	24.42 cents	9.34 cents	25.84 cents
Diluted	6.72 cents	21.30 cents	N/A	N/A

**Maanshan Iron & Steel Company Limited**  
**Consolidated Cash Flow Statement**  
(Prepared under the PRC Accounting Standards for Business Enterprises)  
*Nine Months Ended 30 September 2007*  
Unit: RMB

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>1. Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services	<b>32,407,183,477</b>	27,556,337,179
Refunds of taxes	<b>887,941</b>	2,132,438
Cash received relating to other operating activities	<b>166,169,683</b>	48,356,252
	<hr/>	<hr/>
Sub-total of cash inflows	<b>32,574,241,101</b>	27,606,825,869
Cash paid for goods and services	<b>(26,970,272,056)</b>	(20,968,960,887)
Cash paid to and on behalf of employees	<b>(1,461,181,013)</b>	(1,397,971,573)
Cash paid for all taxes	<b>(2,488,704,696)</b>	(2,286,990,340)
Cash paid relating to other operating activities	<b>(549,539,118)</b>	(543,529,125)
	<hr/>	<hr/>
Sub-total of cash outflows	<b>(31,469,696,883)</b>	(25,197,451,925)
Net cash flows from operating activities	<b>1,104,544,218</b>	2,409,373,944
	<hr/>	<hr/>
<b>2. Cash flows from investing activities:</b>		
Cash received from investments	<b>5,367,035</b>	–
Cash received from returns on investments	<b>84,626,472</b>	5,156,384
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	<b>23,453,518</b>	14,891,559
Cash received from retrieval of pledged deposits and overdue deposits	<b>–</b>	40,632,085
	<hr/>	<hr/>
Sub-total of cash inflows	<b>113,447,025</b>	60,680,028
Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets	<b>(3,885,746,701)</b>	(8,728,144,566)
Cash paid for acquisitions of investments	<b>(58,011,290)</b>	(7,688,200)
Cash paid for increase in pledged deposits	<b>–</b>	(422,106,062)
	<hr/>	<hr/>
Sub-total of cash outflows	<b>(3,943,757,991)</b>	(9,157,938,828)
Net cash flows from investing activities	<b>(3,830,310,966)</b>	(9,097,258,800)
	<hr/>	<hr/>

**Maanshan Iron & Steel Company Limited**  
**Consolidated Cash Flow Statement (Cont'd)**  
(Prepared under the PRC Accounting Standards for Business Enterprises)  
*Nine Months Ended 30 September 2007*  
Unit: RMB

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>3. Cash flows from financing activities:</b>		
Cash received from capital contribution	–	310,182,835
Cash received from borrowings	<b>14,550,000,000</b>	10,373,473,842
Sub-total of cash inflows	<b>14,550,000,000</b>	10,683,656,677
Cash repayment of borrowings	<b>(9,404,000,000)</b>	(3,375,105,396)
Cash paid for distribution of dividends or profits and for interest expenses	<b>(1,287,530,216)</b>	(917,902,012)
Sub-total of cash outflows	<b>(10,691,530,216)</b>	(4,293,007,408)
Net cash flows from financing activities	<b>3,858,469,784</b>	6,390,649,269
<b>4. Effect of foreign exchange rate changes on cash</b>	<b>(7,081,593)</b>	(2,820,239)
<b>5. Net increase/(decrease) in cash and cash equivalents</b>	<b>1,125,621,443</b>	<b>(300,055,826)</b>

**Maanshan Iron & Steel Company Limited**  
**Consolidated Cash Flow Statement (Cont'd)**  
(Prepared under the PRC Accounting Standards for Business Enterprises)  
*Nine Months Ended 30 September 2007*  
Unit: RMB

<b>Supplementary Information</b>	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>Unaudited</b>	<b>Unaudited</b>
		<b>(Restated)</b>
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	1,576,342,407	1,668,021,088
Add: Minority interests	56,415,197	33,998,720
Reversal of provision for bad debts	–	(307,795)
Reversal of provision against price-drop inventories	–	(37,181,209)
Reversal of impairment of fixed assets	–	(4,811,200)
Reversal of impairment of construction-in-progress	–	(17,676,148)
Depreciation of fixed assets	2,187,452,201	1,647,099,663
Amortisation of intangible assets	28,769,927	16,488,261
Loss/(gain) on disposal of fixed assets, intangible assets and other long term assets, net	87,099,697	(9,474,564)
Financial expenses	666,141,874	210,263,011
Investment income	(120,262,141)	(30,698,956)
Decrease in deferred tax assets	7,590,000	11,108,000
Decrease in deferred tax liabilities	(10,157,000)	–
Increase in inventories	(3,287,470,646)	(1,303,755,385)
Increase in receivables from operating activities	(5,268,718,002)	(690,742,166)
Increase in payables from operating activities	5,181,340,704	917,042,624
	<b>1,104,544,218</b>	<b>2,409,373,944</b>
	<b>1,104,544,218</b>	<b>2,409,373,944</b>
<b>2. Investing and financing activities that do not involve cash receipts and payments:</b>	–	–
	–	–
<b>3. Net increase/(decrease) in cash and cash equivalents:</b>		
Cash and balances with financial institutions at end of period	5,286,326,157	2,954,959,851
Less: Cash and balances with financial institutions at beginning of period	(4,160,704,714)	(3,255,015,677)
Add: Balance of cash equivalents at end of period	–	–
Less: Balance of cash equivalents at beginning of period	–	–
	<b>1,125,621,443</b>	<b>(300,055,826)</b>
	<b>1,125,621,443</b>	<b>(300,055,826)</b>

**Maanshan Iron & Steel Company Limited**

**Balance Sheet**

(Prepared under the PRC Accounting Standards for Business Enterprises)

*30 September 2007*

*Unit: RMB*

<b>Assets</b>	<b>30 September 2007 Unaudited</b>	31 December 2006 Audited (Restated)
<b>Current assets:</b>		
Cash and balances with financial institutions	3,317,354,676	2,808,993,288
Bills receivable	4,776,621,473	613,910,339
Trade receivables	957,626,210	539,362,472
Prepayments	1,139,341,303	733,451,150
Other receivables	46,264,483	50,088,671
Inventories	8,795,063,249	6,075,927,157
<b>Total current assets</b>	<b>19,032,271,394</b>	<b>10,821,733,077</b>
<b>Non-current assets:</b>		
Held-to-maturity investment	8,258,870	8,258,870
Long-term equity investments	1,820,882,237	1,749,314,443
Investment properties	19,416,706	19,619,230
Fixed assets	36,067,842,475	17,794,289,162
Construction materials	1,752,647,444	2,324,778,635
Construction-in-progress	7,429,294,511	18,655,455,975
Intangible assets	1,247,503,137	1,228,644,614
Deferred tax assets	126,975,000	134,565,000
<b>Total non-current assets</b>	<b>48,472,820,380</b>	<b>41,914,925,929</b>
<b>Total assets</b>	<b>67,505,091,774</b>	<b>52,736,659,006</b>

**Maanshan Iron & Steel Company Limited**

**Balance Sheet (Cont'd)**

(Prepared under the PRC Accounting Standards for Business Enterprises)

30 September 2007

Unit: RMB

<b>Liabilities and shareholders' equity</b>	<b>30 September 2007 Unaudited</b>	31 December 2006 Audited (Restated)
<b>Current liabilities:</b>		
Short-term loans	200,000,000	200,000,000
Bills payable	137,510,000	365,380,982
Accounts payable	10,612,237,395	4,628,322,903
Deposits received	6,202,691,225	3,667,107,146
Payroll and benefits payable	228,384,937	272,275,325
Taxes payable	200,962,903	253,459,226
Interests payable	85,881,994	66,785,238
Dividends payable	1,303,757,137	407,802,582
Other payables	612,592,436	541,690,161
Non-current liabilities due within one year	<u>2,474,980,556</u>	<u>381,328,044</u>
<b>Total current liabilities</b>	<u>22,058,998,583</u>	<u>10,784,151,607</u>
<b>Non-current liabilities:</b>		
Long-term loans	18,963,604,000	15,697,870,000
Bonds payable	4,798,434,707	4,672,376,376
Specific payables	116,266,523	116,566,523
Other non-current liabilities	51,799,343	496,543,959
Deferred tax liabilities	<u>113,987,000</u>	<u>124,144,000</u>
<b>Total non-current liabilities</b>	<u>24,044,091,573</u>	<u>21,107,500,858</u>
<b>Total liabilities</b>	<u>46,103,090,156</u>	<u>31,891,652,465</u>
<b>Shareholders equity:</b>		
Share capital	6,455,300,000	6,455,300,000
Capital reserve	6,039,008,494	6,039,008,494
Surplus reserves	2,564,661,890	2,564,661,890
Retained profits	6,343,031,234	5,786,036,157
including: Cash dividend proposed by directors	—	1,032,848,000
<b>Total shareholders' equity</b>	<u>21,402,001,618</u>	<u>20,845,006,541</u>
<b>Total liabilities and shareholders' equity</b>	<u><u>67,505,091,774</u></u>	<u><u>52,736,659,006</u></u>

# Maanshan Iron & Steel Company Limited

## Income Statement

(Prepared under the PRC Accounting Standards for Business Enterprises)

*Nine Months Ended 30 September 2007*

*Unit: RMB*

	July- September 2007 Unaudited	January- September 2007 Unaudited	July- September 2006 Unaudited (Restated)	January- September 2006 Unaudited (Restated)
<b>Revenue</b>	13,273,586,566	34,812,082,736	9,193,809,054	25,806,548,279
Less: Cost of sales	(12,074,018,753)	(31,513,217,383)	(8,234,772,806)	(22,942,513,743)
Taxes and surcharges	(207,317,998)	(361,973,368)	(50,782,809)	(162,618,676)
Selling expenses	(71,534,017)	(188,086,193)	(57,291,705)	(177,845,020)
Administrative expenses	(185,499,159)	(547,144,541)	(158,325,080)	(479,854,610)
Financial expenses	(320,372,267)	(594,890,698)	(72,010,789)	(201,702,768)
Assets impairment losses	–	–	(43,276,157)	11,581,200
Add: Investment income	80,966,140	119,125,987	74,099,174	164,224,656
including: Share of profits of associates and a jointly controlled entity	56,417,093	94,576,940	15,578,433	25,403,995
<b>Operating profit</b>	495,810,512	1,725,896,540	651,448,882	2,017,819,318
Add: Non-operating income	295,001	1,453,479	7,763,981	9,568,847
Less: Non-operating expenses	8,214,511	(87,800,517)	10,808,736	9,684,338
including: Loss/(gain) on disposal of non-current assets	8,401,864	(85,893,136)	7,763,831	9,440,384
<b>Total profit</b>	504,320,024	1,639,549,502	670,021,599	2,037,072,503
Less: Income tax	(72,792,167)	(243,365,425)	(104,983,239)	(316,668,875)
<b>Net profit</b>	431,527,857	1,396,184,077	565,038,360	1,720,403,628
<b>Earnings per share</b>				
Basic	6.68 cents	21.63 cents	8.75 cents	26.65 cents
Diluted	5.92 cents	18.87 cents	N/A	N/A



**Maanshan Iron & Steel Company Limited**

**Cash Flow Statement**

(Prepared under the PRC Accounting Standards for Business Enterprises)

*Nine Months Ended 30 September 2007*

*Unit: RMB*

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>1. Cash flows from operating activities:</b>		
Cash received from sale of goods and rendering of services	<b>31,048,145,511</b>	27,257,605,803
Cash received relating to other operating activities	<b>21,954,317</b>	28,821,579
	<hr/>	<hr/>
Sub-total of cash inflows	<b>31,070,099,828</b>	27,286,427,382
	<hr/>	<hr/>
Cash paid for goods and services	<b>(26,170,039,879)</b>	(20,860,052,669)
Cash paid to and on behalf of employees	<b>(1,439,053,365)</b>	(1,382,692,586)
Cash paid for all taxes	<b>(2,479,859,070)</b>	(2,276,466,625)
Cash paid relating to other operating activities	<b>(524,942,374)</b>	(497,811,956)
	<hr/>	<hr/>
Sub-total of cash outflows	<b>(30,613,894,688)</b>	(25,017,023,836)
	<hr/>	<hr/>
Net cash flows from operating activities	<b>456,205,140</b>	2,269,403,546
	<hr/>	<hr/>
<b>2. Cash flows from investing activities:</b>		
Cash received from investments	<b>5,367,035</b>	–
Cash received from returns on investments	<b>84,626,472</b>	63,866,794
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	<b>23,452,518</b>	14,891,559
Cash received from retrieval of pledged deposits and overdue deposits	<b>–</b>	40,632,085
	<hr/>	<hr/>
Sub-total of cash inflows	<b>113,446,025</b>	119,390,438
	<hr/>	<hr/>
Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets	<b>(3,863,838,669)</b>	(8,927,491,732)
Cash paid for acquisitions of investments	<b>(58,011,290)</b>	(272,163,200)
Cash paid for increase in pledged deposits	<b>–</b>	(37,000,000)
	<hr/>	<hr/>
Sub-total of cash outflows	<b>(3,921,849,959)</b>	(9,236,654,932)
	<hr/>	<hr/>
Net cash flows from investing activities	<b>(3,808,403,934)</b>	(9,117,264,494)
	<hr/>	<hr/>

**Maanshan Iron & Steel Company Limited**  
**Cash Flow Statement (Cont'd)**  
(Prepared under the PRC Accounting Standards for Business Enterprises)  
*Nine Months Ended 30 September 2007*  
Unit: RMB

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>3. Cash flows from financing activities:</b>		
Cash received from borrowings	<u>14,550,000,000</u>	<u>10,220,000,000</u>
Sub-total of cash inflows	<u>14,550,000,000</u>	<u>10,220,000,000</u>
Cash repayment of borrowings	<u>(9,404,000,000)</u>	<u>(3,375,105,396)</u>
Cash paid for distribution of dividends or profits and for interest expenses	<u>(1,280,913,901)</u>	<u>(897,705,604)</u>
Sub-total of cash outflows	<u>(10,684,913,901)</u>	<u>(4,272,811,000)</u>
Net cash flows from financing activities	<u>3,865,086,099</u>	<u>5,947,189,000</u>
<b>4. Effect of foreign exchange rate changes on cash</b>	<u>(4,525,917)</u>	<u>(1,805,120)</u>
<b>5. Net increase/(decrease) in cash and cash equivalents</b>	<u><b>508,361,388</b></u>	<u><b>(902,477,068)</b></u>

**Maanshan Iron & Steel Company Limited**  
**Cash Flow Statement (Cont'd)**  
(Prepared under the PRC Accounting Standards for Business Enterprises)  
*Nine Months Ended 30 September 2007*  
Unit: RMB

<b>Supplementary Information</b>	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	1,396,184,077	1,720,403,628
Add: Reversal of provision for bad debts	–	(307,795)
Reversal of provision against price-drop inventories	–	(37,181,209)
Reversal of impairment of fixed assets	–	(4,811,200)
Reversal of impairment of construction-in-progress	–	(17,676,148)
Depreciation of fixed assets	2,097,484,817	1,645,531,524
Amortisation of intangible assets	22,366,474	16,488,261
Loss/(gain) on disposal of fixed assets, intangible assets and other long term assets, net	85,893,136	(9,440,384)
Financial expenses	594,890,698	201,702,768
Investment income	(119,125,987)	(164,224,656)
Decrease in deferred tax assets	7,590,000	11,108,000
Decrease in deferred tax liabilities	(10,157,000)	–
Increase in inventories	(2,714,296,092)	(1,044,593,487)
Increase in receivables from operating activities	(4,973,237,970)	(857,504,192)
Increase in payables from operating activities	4,068,612,987	809,908,436
	<u>456,205,140</u>	<u>2,269,403,546</u>
<b>2. Investing and financing activities that do not involve cash receipts and payments:</b>	<u>–</u>	<u>–</u>
<b>3. Net increase/(decrease) in cash and cash equivalents:</b>		
Cash and balances with financial institutions at end of period	3,317,354,676	1,723,316,132
Less: Cash and balances with financial institutions at beginning of period	(2,808,993,288)	(2,625,793,200)
Add: Balance of cash equivalents at end of period	–	–
Less: Balance of cash equivalents at beginning of period	–	–
	<u>508,361,388</u>	<u>(902,477,068)</u>

## **B. NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS OF MAANSHAN IRON & STEEL COMPANY LIMITED**

### **1. Accounting Policy Changes and Impacts**

On 1 January 2007, the Company adopted the “Accounting Standards for Business Enterprises” (the “New Accounting Standards for Business Enterprises”) announced by the Ministry of Finance in 2006. The following retrospective adjustments were made regarding the relevant items affected by the accounting policy changes resulting from the adoption of the New Accounting Standards for Business Enterprises.

#### **(i) Recognition of equity component of financial instruments**

Under the Accounting Standards for Business Enterprises No.37, “Presentation of Financial Instruments”, the bonds with warrants issued by the Company on 13 November 2006 are determined as a compound financial instrument which includes liability and equity component, and should be separately classified as liability and equity components and treated respectively upon initial recognition. When conducting the splitting, the fair value of the liability component should be firstly determined and adopted as the initial recognised amount, and the initial recognised amount of the equity component is then determined by deducting the initial recognised amount of the liability component from the issue price of the compound financial instrument as a whole. Direct issue costs of the compound financial instrument should be allocated between the liability and equity components according to the proportions of their fair values. The retrospective adjustment has been made to related accounts.

#### **(ii) Income tax**

Under the Accounting Standards for Business Enterprises No.18, “Income Taxes”, the impact of deferred tax shall be provided by the Company on all temporary differences between the tax bases of assets and liabilities and their carrying amounts. The retrospective adjustment has been made to related accounts.

The following is a summary of the impacts on the equity of the Company together with its subsidiaries (the “Group”) attributable to equity holders of the parent and the net profit attributable to equity holders of the parent, as a result of the abovementioned retrospective adjustments due to accounting policy changes:

Net profit attributable to equity holders of the parent	Note	The Group	
		Nine months ended 30 September 2006	2006
		RMB	RMB
Before adjustments		1,679,129,088	2,276,585,903
Adjustment: Income tax	(ii)	(11,108,000)	74,861,000
After adjustments		<u>1,668,021,088</u>	<u>2,351,446,903</u>

Net profit attributable to equity holders of the parent	Note	The Group		
		1 January 2006	30 September 2006	31 December 2006
		RMB	RMB	RMB
Before adjustments		18,881,715,908	19,527,996,996	20,122,106,930
Adjustments:				
Recognition of equity component of financial instruments	(i)	-	-	714,253,399
Income tax	(ii)	64,350,000	53,242,000	10,421,000
After adjustments		<u>18,946,065,908</u>	<u>19,581,238,996</u>	<u>20,846,781,329</u>

## 2. Change in scope of consolidation

During the Period, the Group invested RMB500,000 to establish the wholly-owned subsidiary “馬鞍山市舊機動車交易中心有限責任公司”, which is included in the scope of consolidation. Save for the above, the Group recorded no change in the scope of consolidation as compared to the date of the financial statement of the previous year.

### 3. Segment information

During the Period, over 90% of the Group's revenue came from the production and sales operations of steel products and their by-products. Accordingly, no business segment information is listed.

Geographical distribution analysis is based on the location of customers. As an absolute majority of the Group's assets and liabilities are within mainland China, no information on the assets, liabilities and capital expenditure of geographical segments is listed.

	Nine months ended 30 September 2007			Nine months ended 30 September 2006		
	Mainland China RMB'000	Overseas RMB'000	Total RMB'000	Mainland China RMB'000	Overseas RMB'000	Total RMB'000
Segment operating revenue	<u>30,993,605</u>	<u>3,366,742</u>	<u>34,360,348</u>	<u>23,642,856</u>	<u>2,484,363</u>	<u>26,127,219</u>
Segment results	<u>2,739,429</u>	<u>181,390</u>	<u>2,920,819</u>	<u>2,619,136</u>	<u>457,028</u>	<u>3,076,164</u>

By Order of the Board  
**Gu Jianguo**  
Chairman

Maanshan City, Anhui Province, the PRC  
29 October 2007

*As at the date of this announcement, the directors of the Company are:*

*Gu Jianguo, Gu Zhanggen, Zhu Changqiu, Zhao Jianming, Su Jiangang, Gao Haijian, Wong Chun Wa\*, Su Yong\*, Hui Leung Wah\*, Han Yi\*.*

*\* Independent non-executive directors*