



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 with limited liability)

(Stock Code: 323)

2007 First Quarterly Report

This announcement is made pursuant to rule 13.09(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”), Supervisory Committee and directors, supervisors and senior management of Maanshan Iron & Steel Company Limited (the “Company”) confirm that there are no false representations or misleading statements contained in, or material omissions from this report, and jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the content of this report.
- 1.2 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, guarantee the truthfulness and completeness of the financial statements in the quarterly report.
- 1.3 The financial statements in this first quarterly report are unaudited and have been reviewed by the Audit Committee of the Company.

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) as at the end of the reporting period as compared to the end of the previous year (%)
Total assets	58,548,046,693	54,851,010,496	6.74
Interests of equity holders (or shareholders' equity)	21,382,990,902	20,846,781,329	2.57
Net assets per share	3.31	3.23	2.48
	Beginning of the year to end of the reporting period		Increase/(decrease) for the reporting period compared to the corresponding period of the previous year (%)
Net cash flow from operating activities	291,249,422		-33.10
Net cash flow per share from operating activities	0.045		-32.84
	The reporting period	Beginning of the year to end of the reporting period	Increase/(decrease) for the reporting period compared to the corresponding period of the previous year (%)
Net profit	536,209,573	536,209,573	79.53
Basic earnings per share	0.08	0.08	60
Diluted earnings per share	0.08	0.08	60
Return on net assets	2.51	2.51	increase 0.95 pt. pct.
Return on net assets after deduction of non-recurring profit/loss	2.53	2.53	increase 0.96 pt. pct.
Non-recurring profit/loss (unaudited)	Amount (from the beginning of the year to the end of the reporting period)		
Gain/Loss from disposal of fixed assets	1,578,840		
Other government subsidies	935,115		
Other non-operating revenue/expenses	(1,163,215)		
Impact of income tax	(206,652)		
Total	1,144,088		

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 152,806 shareholders, among whom 150,979 were A share shareholders and 1,827 were H share shareholders.	
Top ten holders of circulating shares not subject to selling restrictions		
Name of shareholder	Number of shares held as at the end of the reporting period	Type of shares
HKSCC Nominees Limited	1,653,722,997	Overseas-listed foreign shares
HSBC Nominees (Hong Kong) Limited	31,028,000	Overseas-listed foreign shares
China Construction Bank – 上投摩根中國優勢證券投資基金	29,144,596	RMB-denominated ordinary shares
Morgan Stanley Asset Management Inc. – Morgan Stanley China A Share Fund	20,366,616	RMB-denominated ordinary shares
China Construction Bank – 上投摩根雙息平衡混合型證券投資基金	10,783,618	RMB-denominated ordinary shares
Bank of China – E Fund Active Growth Equity Fund	10,000,000	RMB-denominated ordinary shares
Bank of Communications – 科瑞證券投資基金	9,425,036	RMB-denominated ordinary shares
CICC-Standard Chartered – Citigroup Global Markets Limited	9,079,749	RMB-denominated ordinary shares
Haitong Securities-Bank of Communications- Nikko Asset Management Co., Ltd. – Nikko AM China A-Shares Fund	8,999,892	RMB-denominated ordinary shares
Industrial Bank Co., Ltd. – 中歐新趨勢股票型證券投資基金(LOF)	7,999,915	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

As at the end of the reporting period, bills receivable and accounts receivable increased by 131.9% and 52.5% respectively compared to the end of the previous year, mainly because of the increases in steel product sales volume and sales prices during the reporting period. Prepayments increased by 34.8% compared to the end of the previous year, mainly because of the increase in prepayments for raw material purchases.

During the reporting period, income from principal operating activities increased by 30.3% year-on-year, mainly because of the increases in the Company's steel product sales volume and sales prices during the reporting period. Financial expenses increased by 47.9% year-on-year, mainly because of the increase in interest expenses during the reporting period. Investment income increased by 1,234.3% year-on-year, mainly because of the increase in the Company's share of profit from associates. Non-operating income increased by 97.6% year-on-year, mainly because of the increase in net gain from disposal of fixed assets. Non-operating expenses increased by 164.1% year-on-year, mainly because of the increase in charitable donations. Income tax increased by 94% year-on-year, mainly because of the increase in total profit. Minority interests increased by 136%, mainly because of the profit increases for certain non-wholly owned subsidiaries during the reporting period.

During the reporting period, the net cash flow from operating activities decreased by 33.1% year-on-year, mainly because of the increase in cash paid for raw materials, fuels and materials during the reporting period. The net cash flow from investing activities increased by 45.9% year-on-year, mainly because of the increase in cash paid for acquisition of fixed assets, intangible assets and other long-term assets during the reporting period. The net cash flow from financing activities increased by 40% year-on-year, mainly because of the increase in the Company's bank borrowings during the reporting period.

3.2 Undertakings made by the Company, shareholders and the de facto controller and their implementation

The State Share Reform Proposal of the Company, whereby the controlling shareholder Magang (Group) Holding Company Limited (“Holding”) offered holders of circulating A shares 3.4 shares for every 10 shares they held, was approved by the State-owned Assets Supervision and Administration Commission of the People’s Government of Anhui Province on 20 February 2006. It was further approved at the meeting of shareholders relevant to the State Share Reform on 27 February 2006, and was approved by the Ministry of Commerce of the PRC on 17 March 2006. Trading in the A shares of the Company resumed on 31 March 2006.

In the process of the State Share Reform, Holding made the following special undertakings:

1. 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.
2. Holding pays all the costs and expenses arising from the State Share Reform.

Moreover, Holding makes representations as follows:

1. 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 SSE, and will bear any legal liabilities accordingly.
2. 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.

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

By Order of the Board of Directors
Gu Jianguo
Chairman

Maanshan City, Anhui Province, the PRC
25 April 2007

As at the date of this announcement, the Board of Directors comprises:

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*

Please also refer to the published version of this announcement in South China Morning Post.