



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)

PRICE-SENSITIVE INFORMATION
OVERSEAS REGULATORY ANNOUNCEMENT
2008 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 NOTICES

- 1.1 The board of directors (the “Board of Directors”), 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 Jianguo, Chairman, Mr. Gu Zhanggen, Deputy Chairman, and Mr. Su Yong, Independent Non-executive Director, were unavailable for attending the Board meeting due to business trip; and Mr. Gu Jianguo and Mr. Gu Zhanggen had appointed Mr. Su Jiangan, Director and General Manager, to attend the meeting and vote on their behalf; Mr. Su Yong had appointed Mr. Han Yi, Independent Non-executive Director, to attend the meeting and vote on his behalf.
- 1.3 Mr. Su Jiangan, authorised representative of the person-in-charge of the Company, and the overseer of accounting operations, and Mr. Guan Yagan, 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 quarterly report have been prepared in accordance with PRC Accounting Standards for Business Enterprises. They have not been audited, but have been reviewed by the Company’s audit committee.

2. BASIC INFORMATION OF THE COMPANY

2.1 Major accounting data and financial indicators (unaudited)

| | As at the end of the reporting period | As at the end of the previous year | <i>Unit: RMB</i> Increase/(decrease) of the end of the reporting period as compared to the end of the previous year (%) |
|---|---|---------------------------------------|--|
| Total assets | 75,143,880,605 | 71,126,023,549 | 5.65 |
| Shareholders' equity attributable to shareholders of the Company | 25,160,304,174 | 23,017,263,567 | 7.23 |
| Net assets per share attributable to shareholders of the Company | 3.72 | 3.41 | 9.09 |
| | Beginning of the year to the end of the reporting period | | Increase/(decrease) as compared to the corresponding period of the previous year (%) |
| Net cash flows from operating activities | | 7,790,569,792 | 605.32 |
| Net cash flows per share from operating activities | | 1.153 | 573.85 |

| | Reporting period | Beginning of the year to the end of the reporting period | Increase/(decrease) of the reporting period as compared to the corresponding period of the previous year (%) |
|---|------------------|--|---|
| Net profit attributable to the shareholders of the Company | 786,695,127 | 3,047,973,508 | 56.47 |
| Basic earnings per share | 0.1164 | 0.4510 | 49.42 |
| Basic earnings per share excluding non-recurring gains or losses | – | 0.4397 | – |
| Diluted earnings per share | 0.1130 | 0.4376 | 66.42 |
| Return on net assets - Fully diluted (%) | 3.13 | 12.11 | an increase of 0.86 percentage point |
| Return on net assets excluding non-recurring gains or losses – Fully diluted (%) | – | 11.81 | – |

Item of non-recurring gains or losses

| | Amount (from the beginning of the year to the end of the reporting period) |
|---|---|
| Net gains/losses on disposal of non-current fixed assets | 4,108,889 |
| Subsidy income | 92,732,329 |
| Other non-operating income and expenses | 2,452,164 |
| Gains/losses on debt restructuring | 307,753 |
| Income tax effect | (12,416,805) |
| Non-recurring gains or losses attributable to minority shareholders of the Company after excluding the effect of tax expenses | (10,670,819) |
| Non-recurring gains or losses attributable to shareholders of the Company after excluding the effect of tax expenses | 76,513,511 |

2.2 Total number of shareholders as at the end of the reporting period and table of shareholding of the top ten holders of circulating shares that are 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 346,557 shareholders, including 345,131 A share holders and 1,426 H share holders. |
|--|--|

Top ten holders of circulating shares not subject to selling restrictions

| Name of shareholder | Number of circulating shares held | Type of shares |
|---|-----------------------------------|---------------------------------|
| HKSCC (Nominees) Limited | 1,708,170,966 | Overseas-listed foreign shares |
| 鵬華價值優勢股票型 證券投資基金 | 28,000,000 | RMB-denominated ordinary shares |
| 上投摩根中國優勢證券投資基金 | 22,499,880 | RMB-denominated ordinary shares |
| 光大保德信量化核心證券投資 | 20,552,050 | RMB-denominated ordinary shares |
| 易方達價值成長混合型 證券投資基金 | 15,500,000 | RMB-denominated ordinary shares |
| 上證紅利交易型開放式 指數證券投資基金 | 15,355,709 | RMB-denominated ordinary shares |
| 易方達策略成長證券投資基金 | 14,928,671 | RMB-denominated ordinary shares |
| 易方達策略成長二號混合型 證券投資基金 | 14,882,275 | RMB-denominated ordinary shares |
| Magang (Group) Holding Company Limited | 13,760,000 | RMB-denominated ordinary shares |
| 嘉實滬深300指數證券投資基金 | 10,967,109 | RMB-denominated ordinary shares |

3. SIGNIFICANT MATTERS

3.1 Management Discussion and Analysis

During the reporting period, the US subprime mortgage crisis continued to deteriorate, which led to continued turbulence in the financial markets worldwide and a further slowdown in growth for the international economy. Demands in the international steel market saw a decline with falling steel prices. Investment in fixed assets in the PRC registered a slowing growth, while demands in the domestic steel market decreased and steel product prices saw a drastic drop. Inevitably, companies recorded sharply falling profits. Faced with such market changes, the Company strove to mitigate the negative effects caused by the substantial fluctuations in steel product prices and achieved good production and operation results through flexibly adjusting production plans and sales strategies.

During the reporting period, the Group produced 3,750,000 tonnes of pig iron, 4,080,000 tonnes of crude steel and 3,810,000 tonnes of steel products, representing year-on-year increases of approximately 5.63%, 4.08% and 4.67% respectively. During the reporting period, under PRC Accounting Standards for Business Enterprises, the Group's operating revenue amounted to RMB19,871 million, representing an increase of 44.68% year-on-year and net profit attributable to shareholders of the Company amounted to RMB787 million, representing an increase of 56.47% year-on-year, primarily due to increase in sales volume of steel products of the Company during the reporting period.

The decreasing demand in the steel market is expected to continue for a period of time. The Company will adhere to its policy of "Basing production on sales" in order to maintain its market share. It will continue to enhance the quality of products, strengthen management, reduce cost and maximise efficiency, with a view to easing the pressure exerted by the market and ensuring the stability of production and operation.

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

- Items with more than 30% changes as compared to the end of 2007 in the consolidated financial statements and the reasons for such changes:

| Account item | Change | Reason for changes |
|---|---------------|--|
| Trading financial assets | -33.80% | Decrease in the prices of shares held by the Company during the period. |
| Bills receivable | -35.65% | Increase in the amount of bills discounted during the period. |
| Prepayments | -33.95% | Increase in settlements of prepayments during the period. |
| Other receivables | +127.89% | Increase in prepayments of import customs and taxes during the period. |
| Inventories | +66.06% | Increase in purchases of raw materials during the period. |
| Construction materials | -41.90% | Decrease in the use of construction materials as construction-in-progress was basically completed during the period. |
| Short-term loans | +45.05% | Increase in the use of liquidity loans during the period. |
| Short-term commercial papers | -100% | Repayment of short-term commercial papers during the period. |
| Deposits received | +30.61% | Increase in deposits received during the period. |
| Taxes payable | +84.37% | Increase in unpaid VAT payable during the period. |
| Non-current liabilities due within one year | -57.76% | Decrease in certain long-term loans due within 1 year during the period. |
| Exchange fluctuation reserve | -187.21% | Change in exchange rates of foreign currencies during the period. |

- Items with more than 30% changes as compared to the period from January to September 2007 in the consolidated financial statements and the reasons for such changes:

| Account item | Change | Reason for changes |
|--|---------------|--|
| Operating revenue | +65.66% | Increase in sales volumes of the Company's steel products during the period. |
| Operating cost | +63.99% | Increase in sales volumes of the Company's steel products and rise in raw material costs during the period. |
| Taxes and surcharges | +72.79% | Increases in operating revenues and export tariffs during the period. |
| Selling expenses | +35.39% | Increase in overseas freight charges for the export of steel products during the period. |
| Financial expenses | +88.65% | Decrease in interest capitalisation during the period. |
| Investment income | +49.60% | Increase in the Company's share of profits from associates and joint ventures during the period. |
| Non-operating income | +89.67% | Increase in government subsidies granted to subsidiaries during the period. |
| Non-operating expenses | -92.76% | Decrease in loss on the disposal of fixed assets during the period. |
| Income tax | +246.72% | Increase in profit before tax during the period. |
| Minority interests | +40.37% | 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 | +605.32% | Increase in the Company's steel product sales and cash received from sales during the period. |
| Net cash flows from investing activities | +40.13% | Decrease in construction project expenses of the Company during the period. |
| Net cash flows from financing activities | -226.01% | Repayment of short-term commercial papers and due loans by the Company during the period. |

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 Magang (Group) Holding Company Limited (“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.

- Holding acquired 13,760,000 A shares of the Company via the trading system of the Shanghai Stock Exchange on 12 September 2008, representing 0.2% of the total share capital of the Company. Prior to this shares acquisition, Holding held 3,830,560,000 shares of the Company, representing 56.68% of the total share capital of the Company. Holding held 3,844,320,000 shares of the Company after this acquisition, representing 56.88% of the total share capital of the Company. Holding intends to continue to acquire A shares of the Company via the trading system of the Shanghai Stock Exchange within 12 months as from this shares acquisition. The accumulated acquisition ratio will not exceed 2% of the total share capital of the Company (including the shares acquired this time). Meanwhile, Holding undertakes that it will not sell the shares of the Company it held during the implementation of the continuous acquisition plan and during the statutory period.

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

3.4 Securities investments

Unit: 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 | 522,900 | Held-for-trading financial assets |
| 2 | 601390 | China Railway Group | 33,000 | 158,400 | 191,070 | 171,600 | Held-for-trading financial assets |
| 3 | 601898 | China Coal Energy | 12,000 | 201,960 | 140,640 | 191,760 | Held-for-trading financial assets |
| 4 | 601186 | China Rail Construction Corporation Limited | 20,000 | 181,600 | 187,200 | 187,200 | Held-for-trading financial assets |
| Total | | | | 1,126,460 | 968,310 | 1,073,460 | |

Maanshan Iron & Steel Company Limited
Su Jiangan
authorised representative of the person-in-charge

14 October 2008

Maanshan City, Anhui Province, the PRC

As at the date of this announcement, the directors of the Company include:

Executive Directors: Gu Jianguo, Gu Zhanggen, Su Jiangan, Gao Haijian, Hui Zhigang

Non-executive Director: Zhao Jianming

Independent Non-executive Directors: Wong Chun Wa, Su Yong, Hui Leung Wah, Han Yi

4 APPENDIX:

A. Unaudited 2008 third 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 2008

Unit: RMB

| Assets | 30 September 2008 Unaudited | 31 December 2007 Audited (restated) |
|---|-----------------------------------|--|
| Current Assets | | |
| Cash and balances with financial institutions | 6,944,634,948 | 6,293,537,191 |
| Financial assets held for trading | 968,310 | 1,462,770 |
| Bills receivable | 2,698,860,914 | 4,194,297,474 |
| Trade receivables | 1,089,796,997 | 1,037,224,713 |
| Prepayments | 1,104,834,619 | 1,672,835,435 |
| Other receivables | 586,906,449 | 257,539,176 |
| Inventories | 15,991,012,806 | 9,629,944,412 |
| Total current assets | 28,417,015,043 | 23,086,841,171 |
| Non-current Assets: | | |
| Held-to-maturity investments | 5,598,870 | 5,598,870 |
| Long-term equity investments | 889,380,616 | 781,448,790 |
| Investment properties | 1,020,552 | 1,240,303 |
| Fixed assets | 40,657,839,816 | 41,328,227,114 |
| Construction materials | 297,830,439 | 512,588,681 |
| Construction in progress | 2,911,746,332 | 3,510,765,654 |
| Intangible assets | 1,707,135,609 | 1,640,550,796 |
| Deferred tax assets | 256,313,328 | 258,762,170 |
| Total non-current assets | 46,726,865,562 | 48,039,182,378 |
| Total Assets | 75,143,880,605 | 71,126,023,549 |

Maanshan Iron & Steel Company Limited
Consolidated Balance Sheet (Cont'd)
(Prepared under the PRC Accounting Standards for Business Enterprises)
30 September 2008
Unit: RMB

| Liabilities and Shareholders' Equity | 30 September 2008 Unaudited | 31 December 2007 Audited (restated) |
|--|--|--|
| Current Liabilities: | | |
| Short-term loans | 1,863,178,131 | 1,284,495,217 |
| Bills payable | 2,257,040,452 | 1,790,845,160 |
| Short-term commercial papers | – | 2,000,000,000 |
| Accounts payable | 9,229,312,563 | 7,688,764,859 |
| Deposits received | 8,663,583,325 | 6,633,408,854 |
| Payroll and benefits payable | 271,909,066 | 341,871,394 |
| Taxes payable | 1,124,429,085 | 609,863,471 |
| Interests payable | 69,462,942 | 80,563,315 |
| Dividends payable | 1,301,575,013 | 1,303,757,138 |
| Other payables | 946,182,105 | 933,429,649 |
| Non-current liabilities due within one year | <u>1,190,109,444</u> | <u>2,817,346,333</u> |
| Total current liabilities | <u>26,916,782,126</u> | <u>25,484,345,390</u> |
| Non-current Liabilities: | | |
| Long-term loans | 16,812,796,473 | 16,577,951,605 |
| Bonds payable | 4,960,477,536 | 4,828,761,588 |
| Deferred income | 552,583,938 | 590,425,767 |
| Deferred tax liabilities | 150,136,450 | 168,275,911 |
| Other non-current liabilities | <u>12,485,032</u> | <u>12,485,032</u> |
| Total non-current liabilities | <u>22,488,479,429</u> | <u>22,177,899,903</u> |
| Total liabilities | <u>49,405,261,555</u> | <u>47,662,245,293</u> |
| Shareholders' Equity: | | |
| Share capital | 6,758,551,716 | 6,758,551,716 |
| Capital reserve | 6,056,692,904 | 6,056,692,904 |
| Surplus reserves | 2,901,562,765 | 2,901,562,765 |
| Retained profits | 9,451,895,178 | 7,290,826,476 |
| including: cash dividend proposed by directors | – | 878,611,723 |
| Exchange fluctuation reserve | <u>(8,398,389)</u> | <u>9,629,706</u> |
| Equity attributable to equity holders of the parent | <u>25,160,304,174</u> | <u>23,017,263,567</u> |
| Minority interests | <u>578,314,876</u> | <u>446,514,689</u> |
| Total shareholder's equity | <u>25,738,619,050</u> | <u>23,463,778,256</u> |
| Total Liabilities and Shareholders' Equity | <u><u>75,143,880,605</u></u> | <u><u>71,126,023,549</u></u> |

Maanshan Iron & Steel Company Limited

Consolidated Income Statement

(Prepared under the PRC Accounting Standards for Business Enterprises)

Nine Months Ended 30 September 2008

Unit: RMB

| | July- September 2008 Unaudited | January- September 2008 Unaudited | July- September 2007 Unaudited (restated) | January- September 2007 Unaudited (restated) |
|--|---|--|---|--|
| Operating revenue | 19,870,914,651 | 57,595,746,029 | 13,734,172,820 | 34,766,988,405 |
| Less: Cost of sales | 17,889,851,640 | 50,737,460,565 | 12,341,853,096 | 30,939,858,590 |
| Taxes and surcharges | 228,657,174 | 664,560,747 | 216,490,794 | 384,608,957 |
| Selling expenses | 99,076,717 | 270,090,422 | 75,102,110 | 199,492,434 |
| Administrative expenses | 229,861,559 | 737,097,328 | 234,071,316 | 677,954,460 |
| Financial expenses | 484,038,648 | 1,256,946,216 | 358,441,538 | 666,283,932 |
| Assets impairment losses/(reversal) | - | (9,795,364) | - | - |
| Add: Gain/(loss) on fair value changes | (105,150) | (878,020) | - | - |
| Investment income including: share of profits of associates and a jointly controlled entity | 53,139,517 | 179,907,655 | 82,396,872 | 120,262,141 |
| | 52,837,924 | 179,606,062 | 56,570,603 | 94,435,872 |
| Operating profit | 992,463,280 | 4,118,415,750 | 590,610,838 | 2,019,052,173 |
| Add: Non-operating income | 71,818,737 | 106,128,529 | 26,677,651 | 55,953,819 |
| Less: Non-operating expenses including: loss/(gain) on disposal of non-current assets | (224,860) | 6,527,394 | (6,584,235) | 90,105,289 |
| | (4,684,167) | (4,108,889) | (7,204,771) | 87,099,697 |
| Profit before tax | 1,064,506,877 | 4,218,016,885 | 623,872,724 | 1,984,900,703 |
| Less: Income tax | 268,709,378 | 1,090,852,654 | 98,722,420 | 314,624,949 |
| Net profit | 795,797,499 | 3,127,164,231 | 525,150,304 | 1,670,275,754 |
| including: Net profit from entity being combined prior to the business combination involving entities under common control | - | - | - | - |
| Attributable to equity holders of the parent | 786,695,127 | 3,047,973,508 | 502,765,610 | 1,613,860,557 |
| Minority interests | 9,102,372 | 79,190,723 | 22,384,694 | 56,415,197 |
| Earnings per Share: | | | | |
| Basic | 11.64 cents | 45.10 cents | 7.79 cents | 25.00 cents |
| Diluted | 11.30 cents | 43.76 cents | 6.79 cents | 21.81 cents |

Maanshan Iron & Steel Company Limited
Consolidated Cash Flow Statement
(Prepared under the PRC Accounting Standards for Business Enterprises)
Nine Months Ended 30 September 2008
Unit: RMB

| | Nine Months Ended | |
|---|--------------------------------|-------------------------|
| | 30 September | |
| | 2008 | 2007 |
| | Unaudited | Unaudited |
| | | (restated) |
| 1. Cash flows from operating activities: | | |
| Cash received from sale of goods or rendering of services | 68,320,078,684 | 32,407,183,477 |
| Cash received relating to other operating activities | 213,855,300 | 167,057,624 |
| | <u>68,533,933,984</u> | <u>32,574,241,101</u> |
| Sub-total of cash inflows | | |
| Cash paid for goods and services | (53,402,587,662) | (26,970,272,056) |
| Cash paid to and on behalf of employees | (2,346,552,274) | (1,461,181,013) |
| Cash paid for all taxes | (4,628,202,078) | (2,488,704,696) |
| Cash paid relating to other operating activities | (366,022,178) | (549,539,118) |
| | <u>(60,743,364,192)</u> | <u>(31,469,696,883)</u> |
| Sub-total of cash outflows | | |
| Net cash flows from operating activities | <u>7,790,569,792</u> | <u>1,104,544,218</u> |
| 2. Cash flows from investing activities: | | |
| Cash received from disposal of investments | 602,193 | 5,367,035 |
| Cash received from returns on investments | 76,599,996 | 84,626,472 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 13,416,494 | 23,453,518 |
| Cash received relating to other investing activities | 10,310,375 | 3,081,492 |
| | <u>100,929,058</u> | <u>116,528,517</u> |
| Sub-total of cash inflows | | |
| Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets | (2,275,755,928) | (3,561,262,881) |
| Cash paid for investments | (882,297) | (58,011,290) |
| Cash paid due to increase in pledged deposits | (117,553,927) | (327,565,312) |
| | <u>(2,394,192,152)</u> | <u>(3,946,839,483)</u> |
| Sub-total of cash outflows | | |
| Net cash flows from investing activities | <u>(2,293,263,094)</u> | <u>(3,830,310,966)</u> |

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 2008
Unit: RMB

| | Nine Months Ended | |
|--|--------------------------|------------------|
| | 30 September | |
| | 2008 | 2007 |
| | Unaudited | Unaudited |
| | | (restated) |
| 3. Cash flows from financing activities: | | |
| Cash received from capital contribution | 101,194,034 | 27,818,021 |
| including: capital contribution by minority | | |
| shareholders received by subsidiaries | 101,194,034 | 27,818,021 |
| Cash received from borrowings | 11,450,842,852 | 14,550,000,000 |
| Sub-total of cash inflows | 11,552,036,886 | 14,577,818,021 |
| Cash repayments of borrowings | (14,505,392,347) | (9,404,000,000) |
| Cash paid for distribution of dividend or profits | | |
| and for interest expenses | (1,908,770,363) | (1,315,348,237) |
| including: dividend paid to minority | | |
| shareholders by subsidiaries | (45,301,670) | (25,266,667) |
| Sub-total of cash outflows | (16,414,162,710) | (10,719,348,237) |
| Net cash flows from financing activities | (4,862,125,824) | 3,858,469,784 |
| 4. Effect of foreign exchange rate changes on cash and cash equivalents | 15,916,883 | (7,081,593) |
| 5. Net increase/(decrease) in cash and cash equivalents | 651,097,757 | 1,125,621,443 |
| Add: Balance of cash and cash equivalents at beginning of period | 6,293,537,191 | 4,160,704,714 |
| 6. Balance of cash and cash equivalents at end of period | 6,944,634,948 | 5,286,326,157 |

Maanshan Iron & Steel Company Limited

Balance Sheet

(Prepared under the PRC Accounting Standards for Business Enterprises)

30 September 2008

Unit: RMB

| Assets | 30 September 2008 Unaudited | 31 December 2007 Audited |
|---|--|--------------------------------|
| Current Assets: | | |
| Cash and balances with financial institutions | 4,467,811,236 | 3,665,369,814 |
| Financial assets held for trading | 968,310 | 1,462,770 |
| Bills receivable | 2,324,254,717 | 3,667,209,079 |
| Trade receivables | 1,459,723,646 | 1,554,054,832 |
| Prepayments | 1,257,341,128 | 1,576,389,197 |
| Dividends receivable | 2,607,200 | – |
| Other receivables | 42,182,572 | 63,496,847 |
| Inventories | 13,980,728,148 | 8,314,475,335 |
| Total current assets | 23,535,616,957 | 18,842,457,874 |
| Non-current Assets: | | |
| Held-to-maturity investments | 5,598,870 | 5,598,870 |
| Long-term equity investments | 1,997,605,598 | 1,667,922,886 |
| Investment properties | 18,809,133 | 19,214,182 |
| Fixed assets | 38,801,313,860 | 39,741,473,656 |
| Construction materials | 258,011,233 | 432,590,795 |
| Construction in progress | 2,696,838,196 | 3,360,315,305 |
| Intangible assets | 1,257,786,869 | 1,214,768,182 |
| Deferred tax assets | 255,876,059 | 258,324,901 |
| Total non-current assets | 45,291,839,818 | 46,700,208,777 |
| Total Assets | 68,827,456,775 | 65,542,666,651 |

Maanshan Iron & Steel Company Limited
Balance Sheet (Cont'd)
(Prepared under the PRC Accounting Standards for Business Enterprises)
30 September 2008
Unit: RMB

| Liabilities and Shareholders' Equity | 30 September 2008 Unaudited | 31 December 2007 Audited |
|---|--|--------------------------------|
| Current Liabilities | | |
| Short-term loans | 897,974,642 | 200,000,000 |
| Bills payable | 20,000,000 | 63,000,000 |
| Short-term commercial papers | – | 2,000,000,000 |
| Accounts payable | 8,330,616,154 | 7,633,708,228 |
| Deposits received | 7,854,427,814 | 5,456,620,794 |
| Payroll and benefits payable | 198,526,193 | 297,925,673 |
| Taxes payable | 1,132,192,578 | 529,786,745 |
| Interests payable | 69,144,721 | 80,432,389 |
| Dividends payable | 1,301,575,013 | 1,303,757,138 |
| Other payables | 844,268,370 | 730,183,167 |
| Non-current liabilities due within one year | <u>1,190,109,444</u> | <u>2,809,660,000</u> |
| Total current liabilities | <u>21,838,834,929</u> | <u>21,105,074,134</u> |
| Non-current Liabilities: | | |
| Long-term loans | 16,792,869,581 | 16,563,408,200 |
| Bonds payable | 4,960,477,536 | 4,828,761,588 |
| Deferred income | 551,511,438 | 590,425,767 |
| Deferred tax liabilities | 150,136,450 | 167,989,571 |
| Other non-current liabilities | <u>12,485,032</u> | <u>12,485,033</u> |
| Total non-current liabilities | <u>22,467,480,037</u> | <u>22,163,070,159</u> |
| Total liabilities | <u>44,306,314,966</u> | <u>43,268,144,293</u> |
| Shareholders' Equity: | | |
| Share capital | 6,758,551,716 | 6,758,551,716 |
| Capital reserve | 6,056,692,904 | 6,056,692,904 |
| Surplus reserves | 2,777,851,769 | 2,777,851,769 |
| Retained profits | 8,928,045,420 | 6,681,425,969 |
| including: cash dividend proposed by directors | – | 878,611,723 |
| Total shareholders' equity | <u>24,521,141,809</u> | <u>22,274,522,358</u> |
| Total Liabilities and Shareholders' Equity | <u><u>68,827,456,775</u></u> | <u><u>65,542,666,651</u></u> |

Maanshan Iron & Steel Company Limited

Income Statement

(Prepared under the PRC Accounting Standards for Business Enterprises)

Nine Months Ended 30 September 2008

Unit: RMB

| | July- September 2008 Unaudited | January- September 2008 Unaudited | July- September 2007 Unaudited (restated) | January- September 2007 Unaudited (restated) |
|---|---|--|---|--|
| Operating revenue | 21,951,467,602 | 62,830,820,516 | 13,273,586,566 | 34,812,082,736 |
| Less: Cost of sales | 20,203,176,486 | 56,562,237,703 | 12,074,018,753 | 31,513,217,383 |
| Taxes and surcharges | 222,067,961 | 639,850,986 | 207,317,998 | 361,973,368 |
| Selling expenses | 95,168,508 | 257,288,694 | 71,534,017 | 188,086,193 |
| Administrative expenses | 176,716,668 | 558,449,715 | 185,499,159 | 547,144,541 |
| Financial expenses | 367,526,874 | 1,018,324,992 | 320,372,267 | 594,890,698 |
| Assets impairment losses/(reversal) | - | (9,795,364) | - | - |
| Add: Gain/(loss) on fair value changes | (105,150) | (878,020) | - | - |
| Investment income including: share of profits of associates and a jointly controlled entity | 54,639,801 | 292,620,884 | 80,966,140 | 174,216,138 |
| | 54,531,719 | 182,563,069 | 56,417,093 | 94,576,940 |
| Operating profit | 941,345,756 | 4,096,206,654 | 495,810,512 | 1,780,986,691 |
| Add: Non-operating income | 21,611,333 | 55,241,219 | 12,801,051 | 38,971,629 |
| Less: Non-operating expenses including: loss/(gain) on disposal of non-current assets | 227,993 | 5,012,014 | (8,214,511) | 87,800,517 |
| | (5,139,890) | (5,429,290) | (8,401,864) | 85,893,136 |
| Profit before tax | 962,729,096 | 4,146,435,859 | 516,826,074 | 1,732,157,803 |
| Less: Income tax | 243,131,115 | 1,021,204,685 | 72,792,167 | 243,365,425 |
| Net profit | 719,597,981 | 3,125,231,174 | 444,033,907 | 1,488,792,378 |
| Earnings per Share: | | | | |
| Basic | 10.65 cents | 46.24 cents | 6.88 cents | 23.06 cents |
| Diluted | 10.33 cents | 44.87 cents | 6.00 cents | 20.12 cents |

Maanshan Iron & Steel Company Limited

Cash Flow Statement

(Prepared under the PRC Accounting Standards for Business Enterprises)

Nine Months Ended 30 September 2008

Unit: RMB

| | Nine Months Ended 30 September | |
|---|-----------------------------------|------------------|
| | 2008 | 2007 |
| | Unaudited | Unaudited |
| 1. Cash flows from operating activities: | | |
| Cash received from sale of goods or rendering of services | 60,021,567,648 | 31,048,145,511 |
| Cash received relating to other operating activities | 367,559,454 | 21,954,317 |
| Sub-total of cash inflows | 60,389,127,102 | 31,070,099,828 |
| Cash paid for goods and services | (46,704,130,677) | (26,170,039,879) |
| Cash paid to and on behalf of employees | (2,022,338,679) | (1,439,053,365) |
| Cash paid for all taxes | (4,230,989,657) | (2,479,859,070) |
| Cash paid relating to other operating activities | (283,622,823) | (524,942,374) |
| Sub-total of cash outflows | (53,241,081,836) | (30,613,894,688) |
| Net cash flows from operating activities | 7,148,045,266 | 456,205,140 |
| 2. Cash flows from investing activities: | | |
| Cash received from disposal of investments | 602,193 | 5,367,035 |
| Cash received from returns on investments | 202,369,184 | 84,626,472 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 13,416,494 | 23,452,518 |
| Cash received relating to other investing activities | 10,310,375 | 3,081,492 |
| Sub-total of cash inflows | 226,698,246 | 116,527,517 |
| Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets | (2,112,041,453) | (3,857,920,161) |
| Cash paid for investments | (229,751,509) | (58,011,290) |
| Cash paid due to increase in pledged deposits | - | (9,000,000) |
| Sub-total of cash outflows | (2,341,792,962) | (3,924,931,451) |
| Net cash flows from investing activities | (2,115,094,716) | (3,808,403,934) |

Maanshan Iron & Steel Company Limited
Cash Flow Statement (Cont'd)
(Prepared under the PRC Accounting Standards for Business Enterprises)
Nine Months Ended 30 September 2008
Unit: RMB

| | Nine Months Ended | |
|--|-----------------------------|-----------------------------|
| | 30 September | |
| | 2008 | 2007 |
| | Unaudited | Unaudited |
| 3. Cash flows from financing activities: | | |
| Cash received from borrowings | <u>10,485,639,363</u> | <u>14,550,000,000</u> |
| Sub-total of cash inflows | <u>10,485,639,363</u> | <u>14,550,000,000</u> |
| Cash repayments of borrowings | <u>(13,420,897,130)</u> | <u>(9,404,000,000)</u> |
| Cash paid for distribution of dividend or profits and for interest expenses | <u>(1,313,112,663)</u> | <u>(1,280,913,901)</u> |
| Sub-total of cash outflows | <u>(14,734,009,793)</u> | <u>(10,684,913,901)</u> |
| Net cash flows from financing activities | <u>(4,248,370,430)</u> | <u>3,865,086,099</u> |
| 4. Effect of foreign exchange rate changes on cash and cash equivalents | <u>17,861,302</u> | <u>(4,525,917)</u> |
| 5. Net increase/(decrease) in cash and cash equivalents | <u>802,441,422</u> | <u>508,361,388</u> |
| Add: Balance of cash and cash equivalents at beginning of period | <u>3,665,369,814</u> | <u>2,808,993,288</u> |
| 6. Balance of cash and cash equivalents at end of period | <u><u>4,467,811,236</u></u> | <u><u>3,317,354,676</u></u> |