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**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)

## SUMMARY OF 2009 INTERIM RESULTS ANNOUNCEMENT

### 1. IMPORTANT NOTICE

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

This summary of interim results announcement has been extracted from the interim report, full details of which have been made available simultaneously at the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>). Investors should read carefully the full text of the interim report for details.

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

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

**1.4** 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.

**1.5** The financial statements contained in this interim report have not been audited, but have been reviewed by the Company’s audit committee (the “Audit Committee”).

### 2. LISTED COMPANY BASIC INFORMATION

#### 2.1 Company profile

Stock abbreviation	Magang Stock	Maanshan Iron & Steel
Stock code	600808	323
Places of listing	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
	<b>Secretary to the Board of Directors</b>	<b>Representative for Securities Affairs</b>
Name	Gao Haijian	Hu Shunliang
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## 2.2. Major financial data and indicators

### 2.2.1 Major accounting data and financial indicators

(Prepared under China Accounting Standards)

			<i>Unit: RMB'000</i>
	<b>As at the end of the reporting period</b>	<b>As at the end of the previous year</b>	<b>Increase/ decrease of the end of the reporting period as compared to the end of the previous year ( ±%)</b>
Total assets	71,151,797	66,144,556	7.57
Shareholders' equity	25,245,267	26,006,983	-2.93
Net assets per share (RMB)	3.28	3.80	-13.68
	<b>Reporting period (January to June)</b>	<b>Corresponding period of the previous year</b>	<b>Increase/decrease of the reporting period as compared to the corresponding period of the previous year ( ±%)</b>
Operating profit/(loss)	(818,234)	3,125,952	-126.18
Profit/(loss) before tax	(732,964)	3,153,510	-123.24
Net profit/(loss)	(795,421)	2,243,425	-135.46
Net profit/(loss) excluding non-recurring gains or losses	(879,123)	2,213,441	-139.72
Basic earnings per share (RMB)	(0.103)	0.332	-131.02
Diluted earnings per share (RMB)	N/A	0.306	N/A
Return on net assets (%)	(3.15)	9.14	a decrease of 12.29 percentage-points
Net cash flows from operating activities	6,358,176	6,537,919	-2.75
Net cash flows per share from operating activities (RMB)	0.826	0.967	-14.58

2.2.2 Non-recurring gains or losses  
(Prepared under China Accounting Standards)

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

### 3. MOVEMENTS IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

#### 3.1 Table on share movements (Unit: shares)

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

### 3.2 Respective shareholdings of the 10 largest shareholders and the 10 largest holders of circulating shares or shares without selling restrictions

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

#### Shareholding of the 10 largest shareholders

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

## Shareholding of the 10 largest shareholders without selling restrictions

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

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

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

## 4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 4.1 Appointment or removal of directors, supervisors and senior management of the Company

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

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

## **5. REPORT OF THE BOARD OF DIRECTORS**

### **5.1 Management discussion and analysis**

#### *1. The macro environment for production and operation*

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

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

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

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

#### *2. Production and operation of the Company*

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

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

- **Adjusted the operation of production based on the principle of efficiency.**  
In the first half, the Company unremittingly adjusted its production and organised its operation according to sales orders and the marginal contribution of products, as well as resuming gradual production of the blast furnace to which a stage-wise suspension of production was implemented last year. During the reporting period, the Group produced a total of 6,760,000 tonnes of pig iron, 7,080,000 tonnes of crude steel and 6,690,000 tonnes of steel products respectively, representing decreases of 5.32%, 10.94% and 8.98% respectively over the corresponding period of the previous year. The Company produced 6,120,000 tonnes of pig iron, 6,360,000 tonnes of crude steel and 5,980,000 tonnes of steel products respectively, representing decreases of 4.52%, 10.04% and 8.14% respectively over the corresponding period of the previous year.
- **Imposed pressure so as to establish a united entity.**  
Through a market-retrospective system, the Company imposed pressure to all levels of staff involved in the internal production procedures, so as to achieve the cost objectives for iron-making, crude iron and steel products in various categories. Through launching initiatives to encourage rational suggestions, the Company mobilised the entire staff to carry out management innovation and technological innovation. Meanwhile, the Company linked staff remuneration with relevant cost reduction benchmarks, with a view to fully stimulating the entire staff's initiatives in reducing costs and enhancing efficiency.
- **Enhanced product quality and pushed ahead research-production-sales work.**  
During the reporting period, the Company established a "five-in-one" work system of "research-production-sales" covering market expansion, research and development, production, sale and after-sale service. The Company formed six "research-production-sales" work groups for its key products including electrical steel, automobile plates, high-speed electric train wheels, pipeline steel, stable corten steel plates with high corrosion-resistant power and plates for home electrical appliances. It implemented the project management system and made clear definition of responsibilities, rights and interests. The Company made substantial progress in product development and developed 150,000 tonnes of automobile plates, 240,000 tonnes of plates for home electrical appliances and 60,000 tonnes of silicon steel.
- **Tracked the market and enhanced the prompt-response system.**  
In the first half, prices of steel products, raw materials and fuels exhibited significant volatilities. In response, the Company strengthened its research on market dynamics and timely tracked market changes. Meanwhile, the Company insisted on purchase by comparing the prices of various suppliers and increased the proportion of direct sales. During the reporting period, the Group's total sales of steel products amounted to 6,520,000 tonnes, in which sales of steel plates, section steels, wire rods, train wheels and wheel rims amounted to 2,980,000 tonnes, 1,140,000 tonnes, 2,300,000 tonnes and 100,000 tonnes respectively.

- **Sped up the recovery of funds and controlled capital expenditures.**  
By putting the sustainability of production and operation as its first priority, the Company insisted on receiving deposits in advance for sales of its products; rationally suppressed inventories of raw materials and fuels; temporarily put certain fixed assets investment projects on hold; and contained costs and expenses, with a view to assuring an ample cash flow for the Company. Compared to the corresponding period of the previous year, selling expenses and financial expenses both dropped by over 30%.
- **Insisted on having a balanced and integrated development and enhanced systems, with a view to achieving economic efficiency.** The Company achieved remarkable results in the following aspects: continually renovating production technology; strengthening energy management and safeguarding the operation of facilities; enhancing and balancing the utilisation of different energies; and deepening its efforts in making an integrated use of various resources. Fresh water consumption per tonne of steel amounted to 5.73 m<sup>3</sup> in the first half, representing a decrease of 1.67 m<sup>3</sup> year-on-year; and self-generated power accounted for 69.59% of total power consumption, representing an increase of 11.67 percentage-points year-on-year.
- **Implemented the “Internal Control of Enterprises – Basic Principles” to establish an internal control system of the Company.** In the first half, the Company embarked on work to establish the internal control system as scheduled, including designing the risk management database, organising control activities and compiling the “Internal Control Manual”. The “Internal Control Manual” was formally approved by the Board of Directors on 29 June 2009.

3. *The operations of the Group’s major invested entities under China Accounting Standards*  
Maanshan BOC-Ma Steel Gases Company Limited, in which the Company holds a direct stake of 50%, is mainly engaged in the production and sales of gas products in gaseous or liquid form, as well as the planning and construction of other industrial gas product projects. Net profit during the reporting period was approximately RMB62 million.

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

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

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

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

4. *Financial position and exchange risks*

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

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

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

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

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

## 5. *Investments*

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

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

## 6. *Status of internal control*

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

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

## 7. *The environment for production and operation and coping strategies*

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

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

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

## 5.2 Analysis of principal operating activities by segment and product

*Unit: RMB million*

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

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

### 5.3 Geographical analysis of operating income

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

### 5.4 Analysis of reasons for material changes in profitability of principal operating activities (gross profit margin) as compared to the previous year

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

### 5.5 Analysis of reasons for material changes in profit breakdowns as compared to the previous year

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

## 6. SIGNIFICANT MATTERS

### 6.1 Guarantees

Unit: RMB million

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

## 6.2 Non-operating liabilities and loans to/from connected parties

*Unit: RMB million*

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

## 6.3 Other significant matters and their impact and analysis and explanation on relevant solutions

### 6.3.1 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	506,800	355,950	Held-for-trading financial assets
2	601390	China Railway Group	33,000	158,400	224,070	178,860	Held-for-trading financial assets
3	601898	China Coal	12,000	201,960	148,080	77,640	Held-for-trading financial assets
4	601186	China Railway Construction Corporation Limited	20,000	181,600	205,800	200,800	Held-for-trading financial assets
Total			–	<u>1,126,460</u>	<u>1,084,750</u>	<u>813,250</u>	–

## 6.4 Purchase, sales or redemption of listed securities of the Company

During the first half of 2009, the Company has not redeemed any of its securities. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

## **6.5 Pre-emptive rights**

According to the articles of association of the Company and the laws of the PRC, there are no provisions to grant the existing shareholders of the Company pre-emptive rights for subscribing new shares in proportion to their shareholdings whenever the Company issues new shares.

## **6.6 Public float**

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this announcement, the Company has fulfilled the public float requirement as prescribed by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## **6.7 Code on corporate governance**

The Company has complied with all the code provisions of the Code on Corporate Governance as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited during the first half of 2009.

All of the directors of the Company have confirmed in written form that they have complied with the requirements under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

## **7. FINANCIAL STATEMENTS**

### **7.1 Auditors’ opinion**

Financial statements  unaudited  audited

### **7.2 Maanshan Iron & Steel Company Limited’s comparison of the consolidated and the Company’s balance sheets, income statement, cash flow statement and statement of changes in equity (unaudited) (Please refer to the tables set out below)**

### **7.3 Notes to financial statements**

*7.3.1 During the period, there is no change in the Group’s accounting policies or accounting estimates, nor there is any accounting error correction.*

*7.3.2 The consolidation scope of the Group’s financial statements for the period has no change as compared to the latest financial reports.*

**8. PUBLICATION OF THE INTERIM REPORT ON THE STOCK EXCHANGE OF HONG KONG LIMITED'S WEBSITE**

The Company's interim report containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board of Directors

**Gu Jianguo**

*Chairman*

18 August 2009

Maanshan City, Anhui Province, the PRC

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

*Executive Directors: Gu Jianguo, Su Jiangang, Gao Haijian, Hui Zhigang*

*Non-executive Director: Zhao Jianming*

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

**INTERIM CONSOLIDATED INCOME STATEMENT**  
 (Prepared under Hong Kong Financial Reporting Standards)  
 RMB'000

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

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Prepared under Hong Kong Financial Reporting Standards)

RMB'000

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

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Prepared under Hong Kong Financial Reporting Standards)

RMB'000

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

**CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**

(Prepared under Hong Kong Financial Reporting Standards)

RMB'000

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

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Prepared under Hong Kong Financial Reporting Standards)

RMB'000

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

\* *These reserve accounts comprise the consolidated reserves of RMB17,544,586,000 as at 30 June 2009 in the interim consolidated statement of financial position.*

**INTERIM CONSOLIDATED CASH FLOW STATEMENT**

(Prepared under Hong Kong Financial Reporting Standards)

RMB'000

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

## 1. ACCOUNTING POLICIES

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

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

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

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

## 2. 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:

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

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

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

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

### 3. 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 2009 <i>RMB'000</i> Unaudited	2008 <i>RMB'000</i> Unaudited
<b>Revenue</b>		
Sale of goods	<u>22,691,332</u>	<u>37,042,230</u>
<b>Other income and gains</b>		
Subsidies income	49,469	1,068
Recognition of deferred income	34,598	32,943
Bank interest income	35,895	37,299
Dividend income from available-for-sale financial assets	8,057	104
Trading of iron ores	2,757	43,376
Net rental income	625	625
Others	13,976	189,215
	<u>145,377</u>	<u>304,630</u>

#### 4. FINANCE COSTS

**For the six months  
ended 30 June**  
**2009**                      2008  
**Unaudited**                Unaudited  
**RMB'000**                    RMB'000

Interest on bank loans, other loans and bonds with warrants wholly repayable within five years	533,267	952,516
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#### 5. PROFIT BEFORE TAX

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

**For the six months  
ended 30 June**  
**2009**                      2008  
**Unaudited**                Unaudited  
**RMB'000**                    RMB'000

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

*Notes:*

- (i) Included in the cost of inventories sold for the six months ended 30 June 2009 is a write-back of provision against inventories of RMB 1,746,361,000 (2008: RMB 9,795,000).
- (ii) The amortisation of a mine participation right is included in “Cost of sales” on the face of the 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.

**6. TAX**

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

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.

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

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

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

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

## 7. DIVIDEND

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

## 8. TRADE AND BILLS RECEIVABLES

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

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

Bills receivable will mature within one year.

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

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

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

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

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

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

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

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

## 9. TRADE AND BILLS PAYABLES

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

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

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

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

## 10. BUSINESS COMBINATIONS

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

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

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

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

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

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

Had the combination taken place on 1 January 2008, the Group’s consolidated revenue and consolidated profit attributable to equity holders of the parent for the year would have been RMB70,013 million and RMB710 million, respectively.

## 11. CONTINGENT LIABILITIES

- (a) As at 30 June 2009, the Company had granted guarantees amounting to approximately RMB3,814,000,000 (31 December 2008: approximately RMB3,814,000,000) to banks in connection with facilities granted to its subsidiaries. On that date, such banking facilities were utilised to the extent RMB483,000,000 (31 December 2008: RMB14,000,000).
  
- (b) As detailed in note 6 to the interim condensed consolidated financial statements, the Group has potential risk on CIT in prior years. The directors of the Company, at this stage, consider that it is uncertain whether the relevant tax authority will claim the CIT Differences from the Company in respect of any prior years and could not reliably estimate the eventual outcome of this matter. Consequently, no provision has been made in these financial statements for the CIT Differences and the related tax concessions, deferred tax, penalty and interest (if applicable).

## CONSOLIDATED BALANCE SHEET

(Prepared under China Accounting Standards)

Renminbi Yuan

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

**CONSOLIDATED BALANCE SHEET (CONTINUED)**

(Prepared under China Accounting Standards)

Renminbi Yuan

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>30 June 2009 Unaudited</b>	<b>31 December 2008 Audited</b>
<b>CURRENT LIABILITIES:</b>		
Short term loans	1,751,762,173	1,154,000,000
Bills payable	7,057,239,833	1,049,125,831
Accounts payable	6,470,429,856	7,525,140,482
Deposits received	5,295,088,537	5,615,976,320
Payroll and benefits payable	220,077,041	197,384,329
Taxes payable	(57,645,716)	666,749,301
Interests payable	22,294,291	44,099,563
Dividends payable	1,101,575,013	1,101,575,013
Other payables	766,916,328	802,838,050
Non-current liabilities due within one year	521,275,639	223,579,337
Total current liabilities	<u>23,149,012,995</u>	<u>18,380,468,226</u>
<b>NON-CURRENT LIABILITIES:</b>		
Long term loans	16,526,856,385	15,666,296,218
Bonds payable	5,068,712,088	4,992,975,444
Deferred income	559,441,726	563,549,396
Deferred tax liabilities	–	6,678,903
Other non-current liabilities	7,485,033	7,485,033
Total non-current liabilities	<u>22,162,495,232</u>	<u>21,236,984,994</u>
Total liabilities	<u>45,311,508,227</u>	<u>39,617,453,220</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Share capital	7,700,681,186	7,700,681,186
Capital reserve	8,338,358,399	8,338,358,399
Surplus reserves	3,008,523,500	3,008,523,500
Retained profits	6,211,774,575	7,007,195,285
Exchange fluctuation reserve	(14,070,163)	(47,775,207)
Equity attributable to equity holders of the parent	<u>25,245,267,497</u>	<u>26,006,983,163</u>
Minority interests	595,021,657	520,119,259
Total shareholder's equity	<u>25,840,289,154</u>	<u>26,527,102,422</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><b>71,151,797,381</b></u>	<u><b>66,144,555,642</b></u>

**CONSOLIDATED INCOME STATEMENT**  
(Prepared under China Accounting Standards)  
Renminbi Yuan

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Prepared under China Accounting Standards)

Renminbi Yuan

30 June 2009

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(Prepared under China Accounting Standards)

Renminbi Yuan

30 June 2008

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

## CONSOLIDATED CASH FLOW STATEMENT

(Prepared under China Accounting Standards)

Renminbi Yuan

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

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**

(Prepared under China Accounting Standards)

Renminbi Yuan

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