馬 鞍 山 鋼 鐵 股 份 有 限 公 司
Maanshan Iron & Steel Company Limited

(a Sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)

2003 INTERIM RESULTS ANNOUNCEMENT

1 IMPORTANT

1.1 The Board of Directors and the Directors of the Company jointly and severally accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement and confirm that there are no false records, misleading statements or material omissions in this announcement.

This interim results announcement has been extracted from the Company's interim report. The full text of the report will be published on the website of Shanghai Stock Exchange at http://www.sse.com.cn. Investors should read the full text of the interim report for details.

1.2 Mr. Gu Jianguo, Company Chairman, Mr. Su Jiangang, Director and Deputy General Manager overseeing the accounting operations, and Mr. Guan Yagang, Finance Manager in charge of the Accounting Department, make representation in respect of the authenticity and completeness of the financial statements contained in the interim report.

1.3 The Company's interim report has not been audited.

2 COMPANY INFORMATION

2.1 Company profile

Stock:	Magang Stock	Magang Stock
Stock Code:	600808	323
Places of Listing:	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited

Secretary to the Board of Directors

Name:	Su Jiangang
Correspondence Address:	No. 8 Hong Qi Zhong Road, Maanshan City, Anhui Province, the PRC
Telephone:	86-555-2888158
Fax:	86-555-2887284
E-Mail Address:	mggfdms@magang.com.cn

2.2 Major financial data and indices

2.2.1 Major financial data and financial indices

(Prepared in accordance with PRC accounting standards)

Unit: RMB

	End of the period	**End of the period of last year**	**Increase or decrease compared to the beginning of the year (%)**
Current assets ('000)	6,454,559	4,241,729	52.17
Current liabilities ('000)	5,826,432	3,822,660	52.42
Total assets ('000)	22,010,119	17,138,511	28.42
Shareholders' fund (excluding minority interest) ('000)	12,815,993	11,862,833	8.03
Net assets per share (RMB)	1.99	1.84	8.15
Adjusted net assets per share (RMB)	1.99	1.84	8.15

	During the reporting period (January - June)	**Same period last year**	**Increase or decrease compared to the same period last year (%)**
Net profit ('000)	953,852	164,412	480.16
Net profit after extraordinary items ('000)	956,537	328,335	191.33
Earnings per share (RMB)	0.1478	0.0255	479.61
Return on net assets (%)	7.443	1.380	439.35
Net cash flow from operating activities ('000)	1,322,989	898,905	47.18

2.2.2 Extraordinary items

(Prepared in accordance with PRC accounting standards)

Unit: RMB'000

Extraordinary item	**Amount**
Non-operating income	3,479
Non-operating expenses	(6,164)
Total	(2,685)

Note: Income tax has been deducted from the above amounts.

2.2.3 Differences between PRC and Foreign Accounting Standards

Unit: RMB'000

	PRC Accounting Standards	**Foreign (Hong Kong) Accounting Standards**
Net profit	953,852	929,595
Explanation for the differences	Net profit in accounting statements prepared under PRC Accounting Standards	953,852
	Deduct:	
	Amortisation of deferred staff cost	(8,800)
	Staff housing subsidies to current employees	(17,444)
	Add:	
	Deferred tax income	1,987
	Net profit in accounting statements prepared under Hong Kong Accounting Standards	929,595

3 MOVEMENTS IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

3.1 Movements in share capital

During the reporting period, there was no movement in the share capital of the Company.

3.2 Shareholding of the Company's top 10 largest shareholders

Totoal number of shareholders at the end of the period:	The Company had a total of 186,767 shareholders, of whom 180,317 were A-share shareholders and 6,450 were H-share shareholders.

Shareholding of the Company's top 10 largest shareholders:

Name of shareholder (in full)	Increase / decrease during the year (share)	Shareholding at end of the year (share)	As a percentage of total share capital (%)	Class of shares (Circulating / non- circulating)	Number of shares pledged or held in lien	Nature of shareholder (State owned or foreign shareholder)
Magang (Group) Holding Company Limited	–	4,082,330,000	63.240	Non- circulating	No	State owned
HKSCC (Nominees) Limited	21,585,000	1,582,258,997	24.511	Circulating H shares	Unknown	Foreign shareholder
HSBC (Nominees) Limited	814,000	30,414,000	0.471	Circulating H shares	Unknown	Foreign shareholder
漢興證券投資基金	Unknown	18,196,517	0.282	Circulating A shares	Unknown	N/A
銀豐證券投資基金	Unknown	10,668,353	0.165	Circulating A shares	Unknown	N/A
上海全隆實業有限公司	–	9,800,000	0.152	Non- circulating	Unknown	N/A
隆元證券投資基金	7,049,851	9,499,780	0.147	Circulating A shares	Unknown	N/A
久嘉證券投資基金	Unknown	6,900,000	0.107	Circulating A shares	Unknown	N/A
華夏成長證券投資基金	Unknown	4,489,209	0.070	Circulating A shares	Unknown	N/A
China People's Insurance Company, Anhui Branch	–	3,000,000	0.046	Non- circulating	Unknown	N/A

Description of the relationship among the Company's top 10 largest shareholders: There are no connected relationships between the Holding and the other 9 largest shareholders. However, the Company does not know if there are any connected relationships amongst the other 9 largest shareholders.

4 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Shareholding of directors, supervisors and senior management

During the reporting period, there was no change in the number of shares held by directors, supervisors and senior management.

5 MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of this year, the national economy continued to grow rapidly as China continued to adopt policies to expand internal demand. Increase in fixed capital investment resulted in increasing demand for steel products, causing prices of these products to increase. Meanwhile, there was also a recovery in the international steel market. In view of business opportunities derived from the strong demand for iron and steel products, our Group has increased its sales and production by strengthening its production structure, improving the production processes and upgrading facilities. The Group has also put forward technological improvement and innovation, strengthened its management and improved the operations to further improve technical economic benchmarks. During the reporting period, although there were large increases in domestic production volume and import of iron and steel, as well as increases in raw material and fuel costs including iron ore and coal, the increase in demand for iron and steel products was greater while the overall cost increases in raw material and fuel were lower than the price increase of iron and steel products. As a result, the Group's operating results in the reporting period recorded a significant growth when compared to the same period last year.

One specific highlight is that increased domestic market demand in iron and steel in recent years has resulted in a new tide of investment from domestic iron and steel corporations, and increase in steel production has given rise to a greater total supply of steel products. Meanwhile, there has been a shortage of supply of iron ore and coal with a price uptrend, thereby driving up production costs for iron and steel products. In the medium and long run, the Group's production and operation faces a certain degree of challenges in this regard.

5.1 Analysis of the industry and product segments of the principal operating activities

Unit: RMB (million)

	Income from principal operating activities	Cost of sales	Profit margin (%)	Increase / decrease of income from principal operating activities compared to the same period last year (%)	Increase / decrease of cost of sales compared to the same period last year (%)	Increase / decrease of profit margin compared to the same period last year (%)
Steel products	6,549	5,221	20.28	36.18	25.05	53.99
of which: connected transactions	45	36	19.89	114.29	100	50.91

Principle of price setting for connected transactions: Based on market price standard, terms in such transactions were at least the same as those under normal business transactions.

5.2 Analysis of the geographical segments of the principal operating activities

Unit: RMB'000

Region	Income from principal operating activities	Increase/decrease of income from principal operating activities compared to last year (%)
Anhui	2,327,066	42
Jiangsu	1,609,131	83
Shanghai	1,048,783	143
Zhejiang	549,978	32
Other regions	1,171,968	-25
Export	354,780	64

5.3 Reasons for material changes in the earnings capacity of principal operating activities (gross profit margin) when compared to last year

During the reporting period, gross profit margin was 21.18%, an increase of 5.24 percentage points as compared to last year. This was mainly attributed to the increase in selling prices of principal products.

5.4 Analysis of reasons for material changes in profit structure as compared to last year

Profit from principal operating activities accounted for 126.57% of the total profit, 63.50% down from last year. This was mainly attributed to the increase of income from principal activities and improvement of profit generated from principal operating activities during the reporting period.

Periodic expenses accounted for 28.12% of the total profit, 81.26% down from last year. This was mainly attributed to the improvement in the total profit during the reporting period.

Net non-operating expenses accounted for 0.40% of the total profit, 99.60% down from last year. This was mainly attributed to the provision for impairment of fixed assts and decrease in loss on disposal of fixed assets and increase in total profit.

5.5 Warning and explanation on possible loss incurred for the accumulated net profit from the beginning of the year and the end of the next reporting period or on material changes when compared to the same period last year

If the prices of iron and steel do not fall substantially in the third quarter, and if major raw material and fuel costs do not rise significantly, the Group expects over 50% year-on-year increase in net profit from January to September this year.

6 SIGNIFICANT MATTERS

6.1 Debt and liabilities between the Company and the connected parties

Unit: RMB'000

	Provision of fund to the connected party		Provision of fund from connected party to listed company	
Connected party	Amount	Balance	Amount	Balance
Magang (Group) Holding Company Limited	660,976	46,600	34,756	51,789
Other connected parties	–	2,014	40,397	2,295
Total	660,976	48,614	75,153	54,084

7 There were no significant acquisitions, sales or disposals of assets or mergers undertaken by the Company that took place or subsisted during the reporting period; not did the Company or its subsidiaries repurchase, sell and redeem any listed securities of the Company.

8 CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with "The Code of Best Practice" as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the reporting period.

9 AUDIT COMMITTEE

In accordance with the listing rules of Shanghai and Hong Kong, the Board of Directors has set up an audit committee ("Audit Committee"). On 31 August 2002, new members of the new session of the Audit Committee were elected. The new session of the Audit Committee comprised independent directors Ms. Cheng Shaoxiu, Mr. Wu Junnian, Mr. Shi Jianjun and Mr. Chan Yuk Sing, who would review and supervise the Group's financial reporting procedures and internal controls.

During the reporting period, the Audit Committee has convened one meeting to review the Company's 2002 financial statements.

10 FINANCIAL REPORT

10.1 Disclosure of the comparative consolidated and parent company's income statement

Statement of Income and Profit Appropriation
(Prepared under PRC accounting standards)
Period ended 30 June 2003
RMB

Item	Group For the six months ended 30 June (Unaudited)		Company For the six months ended 30 June (Unaudited)	
	2003	2002	**2003**	2002
Principal operating income	**7,061,706,316**	5,154,672,651	**7,041,761,876**	5,143,234,071
Less: Cost of sales	**(5,565,935,778)**	(4,441,733,291)	**(5,562,045,628)**	(4,434,949,008)
Taxes and surcharges	**(60,976,727)**	(44,906,841)	**(59,884,053)**	(44,391,316)

Profit from principal operating activities	**1,434,793,811**	668,032,519	**1,419,832,195**	663,893,747
Add: Other operating profit/(loss)	**27,140,756**	6,449,141	**23,529,232**	(1,175,090)
Less: Selling expenses	**(33,607,752)**	(32,386,420)	**(32,750,829)**	(31,523,822)
Administrative expenses	**(241,309,714)**	(212,938,755)	**(234,405,012)**	(207,064,384)
Financial expenses	**(43,826,371)**	(43,682,227)	**(40,254,265)**	(40,148,395)
Operating profit	**1,143,190,730**	385,474,258	**1,135,951,321**	383,982,056
Add: Investment income/(loss)	**(5,025,841)**	7,087,790	**(3,080,563)**	7,087,790
Non-operating income	**4,092,951**	2,995,362	**4,125,100**	2,995,362
Less: Non-operating expenses	**(8,678,830)**	(201,844,906)	**(8,634,819)**	(201,717,764)
Profit before tax	**1,133,579,010**	193,712,504	**1,128,361,039**	192,347,444
Less: Tax	**(179,727,410)**	(29,299,719)	**(178,299,288)**	(29,061,816)
Net profit	**953,851,600**	164,412,785	**950,061,751**	163,285,628
Add: Retained profits at beginning of period	**39,803,181**	36,121,774	**43,193,048**	20,388,372
Less: Staff housing subsidies charged to retained profits	**–**	(26,063,055)	**–**	(26,063,055)
Profit available for distribution	**993,654,781**	174,471,504	**993,254,799**	157,610,945
Less: Transfers to statutory surplus reserve	**–**	–	**–**	–
Transfers to statutory public welfare fund	**–**	–	**–**	–
Profit available for distribution to shareholders	**993,654,781**	174,471,504	**993,254,799**	157,610,945
Less: Ordinary shares dividend payable	**–**	–	**–**	–

Retained profits at end of period	**993,654,781**	174,471,504	**993,254,799**	157,610,945

Company Representative	*Chief Accountant*	*Head of Accounting Department*
Gu Jianguo	**Su Jiangang**	**Guan Yangang**

10.2 Notes to financial statements

10.2.1 Descriptions, reasons and extent of affected amounts of changes in accounting policies, accounting estimates and corrections of accounting errors

Given the technological progress in the iron and steel industry and markedly shortened replacement cycles for production process and equipment, the average annual depreciation rate for the Company's metallurgical equipment, industrial furnaces, transportation equipment and automated meters has been adjusted upward by 2% and building and structures by 0.4%, based on the actual usage condition of the Company's fixed assets. After the adjustment, the Company's average annual depreciation rate increased from 5.6% to 6.5%. This change in accounting estimate has decreased the net profit for the period by RMB65,088,967.

During the period, with the exception of the aforesaid changes in accounting estimates, the significant accounting policies adopted by the Company and the Group in the presentation of the financial statements under PRC accounting standards remained unchanged when compared to last year.

10.2.2 Reasons and extent of affected amounts of significant changes in scope of consolidation of the financial report

During the period, the Company's wholly-owned subsidiary, Ningbo Chang Yi Company Limited has finished the process of liquidation and another wholly-owned subsidiary of the Company, Shanghai Zhong Ma Company Limited is in the process of liquidation and were not included in the consolidated financial statements.

Anhui Masteel K. Wah New Building Materials Co., Ltd., which was a Sino-foreign joint venture enterprise incorporated in year 2002, was included in the consolidated financial statements for the period.

During the period, the Company has established another wholly-owned subsidiary, Ma Steel (Wuhu) Processing and Distribution Co., Ltd., which has a registered share capital of USD850,000. The principal activity of the subsidiary consists of processing and sale of metallic products, processing of motor vehicle spare parts and sale of construction materials and chemical products. The subsidiary was included in the consolidated financial statements for the period.

With the exception of the aforesaid subsidiaries, there is no change in the consolidation scope of the Company's financial statements for the period when compared to last year.

Condensed Consolidated Profit and Loss Account
(Prepared under Hong Kong accounting standards)
Period ended 30 June 2003

	Notes	**For the six months ended 30 June** **2003** ***Unaudited*** ***RMB'000***	2002 *Unaudited* *RMB'000* *(Restated)*
TURNOVER	(iii)	**7,061,706**	5,154,673
Cost of sales		**(5,622,201)**	(4,453,922)
Gross profit		**1,439,505**	700,751
Other revenue and gains	(iii)	**27,878**	27,397
Selling and distribution costs		**(94,585)**	(77,293)
Administrative expenses		**(231,003)**	(223,610)
Other operating income/(expenses), net		**8,042**	(204,849)
PROFIT FROM OPERATING ACTIVITIES	(iv)	**1,149,837**	222,396
Finance costs	(v)	**(42,502)**	(49,673)
PROFIT BEFORE TAX		**1,107,335**	172,723
Tax	(vi)	**(177,740)**	(32,051)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**929,595**	140,672
EARNINGS PER SHARE	(ix)		
Basic		**14.40 cents**	2.18 cents
Diluted		**N/A**	N/A

Notes to condensed consolidated interim financial statements
(Prepared under Hong Kong accounting standards)

(i) Significant accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with SSAP 25 "Interim financial reporting" and Appendix 16 of the Listing Rules.

The accounting policies and basis of presentation used in the preparation of these condensed consolidated interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2002 except for the adoption of the following new/revised SSAPs and the change in the following accounting estimate:

Adoption of the new/revised SSAPs

- SSAP 12 (Revised): "Income taxes"
- SSAP 35: "Accounting for government grants and disclosure of government assistance"

SSAP 12 (Revised) prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these condensed consolidated interim financial statements is that a deferred tax asset has been recognised for provisions arising in the prior period and the related note disclosures are now more extensive than previously required. These disclosures are presented in note (vi) to these condensed consolidated interim financial statements and include a reconciliation between the accounting profit and the tax expense for the period.

The SSAP has no specific transitional arrangement and therefore the provisions in SSAP 2 should be applied, which requires the changes to be applied retrospectively. Thus comparative amounts for 2002 have been restated accordingly. The opening retained earnings at 1 January 2002 and 2003 have been increased by approximately RMB48 million and RMB79 million respectively, which represented the cumulative effect of the change in accounting policy. Tax expense for the six months ended 30 June 2002 was increased by approximately RMB2.8 million.

SSAP 35 prescribes the accounting treatment and disclosures for government grants and disclosures for other forms of government assistance. This SSAP has had no major impact on these condensed consolidated interim financial statements.

Change in accounting estimate

During the period, the Group has revised the estimated useful lives of certain fixed assets. In the opinion of the directors, the revised useful lives of such assets reflect more fairly the current estimate of their useful lives. The change of estimated useful lives has the effect of increasing the Group's depreciation charge by approximately RMB65,089,000 for the current period and an estimated amount of approximately RMB130,178,000 for the year.

(ii) Segment information

The Group has only one business segment, which is the manufacture and sale of iron and steel products, and therefore, no business segment information is presented.

No geographical segment information is presented as the Group's operations were substantially carried out in the PRC during the period. Over 90% of the Group's turnover was derived from customers in the PRC.

(iii) Turnover, revenue and gains

Turnover represents the invoiced value of goods sold, net of discounts and returns, and excludes sales taxes and intra-group transactions.

An analysis of turnover, revenue and gains is as follows:

	For the six months ended 30 June	
	2003	2002
	Unaudited	*Unaudited*
	RMB'000	*RMB'000*
Turnover – sale of goods	**7,061,706**	5,154,673
Interest income	**5,379**	10,865
Others	**22,499**	16,532
	7,089,584	5,182,070

(iv) Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2003	2002
	Unaudited	*Unaudited*
	RMB'000	*RMB'000*
Depreciation	**511,746**	431,016
Amortisation of deferred staff cost	**8,800**	8,800
Loss/(gain) on disposal of fixed assets	**(3,240)**	80,823
Loss on disposal of subsidiaries	**6,425**	–
Interest income	**(5,379)**	(10,865)
Environmental loans waived	**–**	(2,700)
Investment income from listed investments	**–**	(6,000)

(v) Finance costs

	For the six months ended 30 June	
	2003	2002
	Unaudited	*Unaudited*
	RMB'000	*RMB'000*
Interest on bank loans	**68,093**	58,528
Less: Interest capitalised	**(25,591)**	(8,855)
	42,502	49,673

(vi) Tax

	For the six months ended 30 June	
	2003	2002
	Unaudited	*Unaudited*
Group	***RMB'000***	*RMB'000*
PRC income tax:		
Tax charge for the period	**170,636**	29,300
Under provision in prior year	**9,091**	–
Deferred tax expense/(income)	**(1,987)**	2,751
	177,740	32,051

Accounting profit before tax	**1,107,335**	172,723
Tax at the applicable tax rate of 15%	**166,100**	25,909
Tax effect of expenses that are not deductible in determining taxable profit	**1,950**	6,109
Adjustments in respect of current tax of previous periods	**9,091**	–
Effect of different tax rates of subsidiaries	**599**	33
Tax expense	**177,740**	32,051

The PRC income tax for the Company and its subsidiaries is calculated at rates ranging from 15% to 33%, on their estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong for the six months ended 30 June 2003 and 30 June 2002.

No provision for overseas profits tax has been made for the Group as there were no assessable profits for the period.

(vii) Statutory surplus reserve and statutory public welfare fund

No appropriation was made to the statutory surplus reserve and statutory public welfare fund by the Company for the six months ended 30 June 2003. Such appropriation will be made at the year end in accordance with the Company Law of the PRC and the Company's Articles of Association.

(viii) Interim dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2003 (2002: Nil).

(ix) Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of approximately RMB929,595,000 (2002: approximately RMB140,672,000 as restated) and 6,455,300,000 (2002: 6,455,300,000) ordinary shares in issue during the period.

No diluted earnings per share is presented as the Company does not have any dilutive potential ordinary shares.

11 DIFFERENCES IN FINANCIAL STATEMENTS PREPARED UNDER PRC AND HONG KONG ACCOUNTING STANDARDS

Effects on net profit and the shareholders' equity arising from the material differences between the consolidated financial statements prepared under PRC and Hong Kong accounting standards are summarised as follows:

Net profit	*Notes*	**For the six months ended 30 June 2003** *Unaudited* *RMB'000*
Net profit from ordinary activities attributable to shareholders under Hong Kong accounting standards		**929,595**
Add back:		
Amortisation of deferred staff costs	(i)	**8,800**
Staff housing subsidies to current employees charged to profit and loss account	(ii)	**17,444**
Deduct:		
Deferred tax income	(iv)	**(1,987)**
Net profit from ordinary activities attributable to shareholders under PRC accounting standards		**953,852**

Shareholders' equity	*Notes*	**30 June 2003** *Unaudited* *RMB'000*
Shareholders' equity under Hong Kong accounting standards		**13,072,142**
Add back:		
Staff housing subsidies charged to profit and loss account:		
Current employees	(ii)	**122,105**
Retired employees	(ii)	**38,843**
Deduct:		
Unamortised deferred staff costs	(i)	**(61,600)**
Staff housing subsidies charged to retained profits	(ii)	**(178,220)**
Provision for furnace relining costs	(iii)	**(96,323)**
Deferred tax asset	(iv)	**(80,954)**
Shareholders' equity under PRC accounting standards		**12,815,993**

(i) Deferred staff costs

From 1994 to 1997, the Company paid approximately RMB190 million for the purchase of certain staff quarters for its employees. Those staff quarters were fully delivered for use during 1997. From January 1997, the Company commenced the sale of staff quarters to its employees in accordance with the Maanshan Municipal Regulation (the "Regulation") governing the sale of public housing. The Regulation sets out the rules and conditions governing the sale and purchase of staff quarters in Maanshan, including the quantum of price discount given to the Company's employees. Most of the staff quarters have been sold at preferential prices and a loss of approximately RMB164 million was incurred. As at 31 December 2000 or before, under Hong Kong and PRC accounting standards, the relevant loss was recorded as deferred staff costs and amortised over the estimated remaining average service life of the relevant employees of 10 years, commencing from the dates of sale of staff quarters. As at 31 December 2000, the accumulated amortisation thereof was approximately RMB58.18 million and the deferred staff costs net of amortisation were approximately RMB106 million.

Under Hong Kong accounting standards, the current period treatment still follows the aforesaid accounting policies and the required amortisation of approximately RMB8,8 million was charged to the profit and loss account during the period. As at 30 June 2003, the unamortised deferred staff costs were approximately RMB61.6 million.

Under PRC accounting standards, starting from 1 January 2001, the Company implemented the rules of directive No. 2001(5) issued by the Ministry of Finance in January 2001 to fully charge the unamortised deferred staff costs of approximately RMB106 million as brought forward from 31 December 2000 to 2001 opening retained profits account.

(ii) Staff housing subsidies

Pursuant to an implemented staff housing subsidies scheme, the Company is required to pay one-off lump sum cash subsidies to both current and retired employees who are eligible under the scheme, provided that each eligible employee entitled to the subsidies continues to provide service to the Company for a stipulated period, or to the date on which they reach their respective normal retirement ages, whichever is the earlier. The directors estimated the aggregate subsidies payable to all eligible current and retired employees to be approximately RMB349 million and RMB38.84 million, respectively. The subsidies payable to current and retired employees will be on a batch basis upon application from eligible employees during the coming years.

Under Hong Kong accounting standards, the Company recognised the present value of the housing subsidies which were already earned at the balance sheet date, after deducting the amounts already paid, as a liability. The subsidies are earned by the employees over the vesting period. The estimated remaining average vesting period of the relevant employees is estimated to be 6 years. Accordingly, subsidies for current employees of approximately RMB17.44 million (2002: approximately RMB34.89 million) have been accrued and charged to the profit and loss account during the period. The cumulative effect thereof on the Company's shareholders' equity at 30 June 2003 was approximately RMB122.11 million (31 December 2002: approximately RMB104.67 million).

The aggregate subsidies of approximately RMB38.84 million payable to all eligible retired employees during the future years have already been fully charged to the profit and loss account during the year ended 31 December 2000, since such subsidies are related to past services of eligible retired employees. The cumulative effect thereof on the Company's shareholders' equity at 30 June 2003 was approximately RMB38.84 million (31 December 2002: approximately RMB38.84 million).

Under PRC accounting standards and related regulations, the subsidies paid to eligible current and retired is charged directly to the retained profits account. The cumulative effect thereof on the Company's shareholders' equity at 30 June 2003 was approximately RMB178 million (31 December 2002: approximately RMB178 million). No accrual for the subsidies payable to current employees or retired employees has been made in the financial statements.

(iii) Furnace relining costs

Under the PRC accounting standards "Fixed Assets" issued on 1 January 2002, repair and maintenance costs incurred on fixed assets should be charged to the profit and loss account as and when incurred. Hence, from 1 January 2002 onwards, the Company no longer accrued for the provision for furnace relining costs. The balance of provision for furnace relining costs, amounting to approximately RMB120.34 million as at 31 December 2001, will be utilised when furnace relining costs are actually incurred. As at 30 June 2003, the unutilised furnace relining cost amounted to approximately RMB96.32 million (31 December 2002: approximately RMB96.32 million).

Under SSAP 28, furnace relining costs are recognised as and when incurred starting from 1 January 2001. Hence, the Company no longer accrued for the provision for furnace relining costs. The balance of provision for furnace relining costs of approximately RMB124 million as at 31 December 2000 was derecognised retrospectively by a prior year adjustment in 2001. No furnace relining cost was incurred in current period.

(iv) Deferred tax

Under the PRC accounting standards, the Company adopted the tax payable method. The current period's tax payable represents the current period's income tax expense and does not recognise the effect of timing difference on income tax.

With the implementation of the new SSAP12 (Revised), deferred tax is provided using the liability method and the Company recognised all temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

A prior year adjustment has been made to recognise the deferred tax and a deferred tax asset of approximately RMB78,96 million was retrospectively recognised as at 31 December 2002. Deferred tax income of RMB1,99 million was recognised in current period and a deferred tax asset of approximately RMB80,95 million was recognised as at 30 June 2003.

12 DOCUMENTS AVAILABLE FOR INSPECTION

1. Original copy of the Interim Report signed by the Chairman.
2. Financial statements of the Company stamped and signed by the Company Representative, the Chief Accountant and Head of the Accounting Department.
3. Original copies of all announcements released by the Company in newspapers designated by China Securities Regulatory Commission during the reporting period.
4. The Articles of Association of the Company.
5. Original copies of the Company's interim reports published in Shanghai Securities Journal, South China Morning Post (Hong Kong) and Wen Wei Po (Hong Kong).

13 DETAILED INTERIM RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE OF HONG KONG LIMITED'S WEBSITE

A detailed interim results announcement 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
Maanshan Iron & Steel Company Limited

Maanshan City, Anhui Province, 19 August 2003

馬鞍山鋼鐵股份有限公司

Maanshan Iron & Steel Company Limited

(a Sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)

Resolutions Passed at the Ninth Meeting of the Fourth Session of the Board of Directors

The Board of Directors and the Directors of the Company jointly and severally accept full responsibility for the authenticity, accuracy and completeness of the information contained in this announcement and confirm that there are no false records, misleading statements or material omissions in this announcement.

The ninth meeting of the fourth session of the board of directors (the "Board Meeting") of Maanshan Iron & Steel Company Limited was convened on 19 August 2003 at Magang Guest House. There were 11 eligible directors and 7 of them attended the Board Meeting. Madam Cheng Shaoxiu, director of the Company, appointed Mr Shi Jianjun, director of the Company, to act on her behalf and exercise her voting right. The Board Meeting was chaired by Mr Gu Jianguo, Chairman of the Company. The following resolutions were passed at the Board Meeting:

1. The 2003 interim report and its summary were discussed and passed.
2. The establishment of the Committee of Independent Directors was approved. Madam Cheng Shaoxiu, Mr Wu Junnian, Mr Shi Jianjun and Mr Chan Yuk Sing were elected as members thereof, responsible for reviewing the connected transactions between 2004 and 2006.

Board of Directors of
Maanshan Iron & Steel Company Limited

Maanshan City, Anhui Province, 19 August 2003

Please also refer to the published version of this announcement in South China Morning Post dated on 20-08-2003.