



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 2007 INTERIM RESULTS ANNOUNCEMENT**

**1. IMPORTANT**

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

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

1.3 The financial statements contained in this interim report have not been audited, but have been reviewed by the Company’s audit committee.

## 2. LISTED COMPANY BASIC INFORMATION

### 2.1 Company profile

|                        |                                                                 |                                                                 |
|------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|
| Stock abbreviation     | Magang Stock                                                    | Maanshan Iron & Steel                                           |
| Stock code             | 600808                                                          | 323                                                             |
| Place 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                   | Su Jiangang                                                     | Hu Shunliang                                                    |
| Correspondence address | No.8 Hong Qi Zhong Road, Maanshan City, Anhui Province, the PRC | No.8 Hong Qi Zhong Road, Maanshan City, Anhui Province, the PRC |
| Telephone              | 86-555-2888158                                                  | 86-555-2888158                                                  |
| Fax                    | 86-555-2887284                                                  | 86-555-2887284                                                  |
| Email address          | mggfdms@magang.com.cn                                           | mggfdms@magang.com.cn                                           |

### 2.2 Major financial data and indicators

#### 2.2.1 Major accounting data and financial indicators

(Prepared under PRC Accounting Standards)

|                                                          | As at the end of the reporting period | As at the end of the previous year        | <i>Unit: RMB'000</i><br>Increase/(decrease) of the end of the reporting period as compared to the end of the previous year (%) |
|----------------------------------------------------------|---------------------------------------|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Total assets                                             | 65,329,180                            | 54,851,010                                | 19.10                                                                                                                          |
| Shareholders' equity                                     | 21,093,675                            | 20,846,781                                | 1.18                                                                                                                           |
| Net assets per share (RMB)                               | 3.27                                  | 3.23                                      | 1.18                                                                                                                           |
|                                                          | Reporting period (January to June)    | Corresponding period of the previous year | Increase/(decrease) of the reporting period as compared to the corresponding period of the previous year (%)                   |
| Operating profit                                         | 1,428,436                             | 1,312,804                                 | 8.81                                                                                                                           |
| Profit before tax                                        | 1,336,016                             | 1,313,729                                 | 1.70                                                                                                                           |
| Net profit                                               | 1,086,083                             | 1,065,144                                 | 1.97                                                                                                                           |
| Net profit excluding non-recurring gains or losses       | 1,166,817                             | 1,064,447                                 | 9.62                                                                                                                           |
| Basic earnings per share (RMB)                           | 0.1682                                | 0.1650                                    | 1.94                                                                                                                           |
| Diluted earnings per share (RMB)                         | 0.1520                                | Not applicable                            | Not applicable                                                                                                                 |
| Return on net assets (%)                                 | 5.149                                 | 5.109                                     | Up 0.04 pct pt                                                                                                                 |
| Net cash flows from operating activities                 | (1,329,560)                           | 2,224,234                                 | (159.78)                                                                                                                       |
| Net cash flows per share from operating activities (RMB) | (0.2060)                              | 0.3446                                    | (159.78)                                                                                                                       |

*Note:* The above-mentioned indicators such as net profit, net profit excluding non-recurring gains or losses, shareholders' equity, basic and diluted earnings per share and net assets per share are based on figures attributable to shareholders of the listed Company.

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

| <b>Item</b>                                                         | <i>Unit: RMB'000</i><br><b>Amount</b> |
|---------------------------------------------------------------------|---------------------------------------|
| Net loss on disposal of non-current assets                          | (94,304)                              |
| Other non-operating income and expenses                             | (2,248)                               |
| Government subsidies                                                | 1,504                                 |
| Income tax effect                                                   | 14,234                                |
| Non-recurring gains or losses attributable to minority shareholders | <u>80</u>                             |
| <br>Total non-recurring gains or losses, net                        | <br><u><u>(80,734)</u></u>            |

2.2.3 *Differences between financial statements prepared under PRC Accounting Standards and Hong Kong Accounting Standards*

| <i>Unit: RMB'000</i>       |                                               |                                       |                   |
|----------------------------|-----------------------------------------------|---------------------------------------|-------------------|
|                            | <b>PRC Accounting Standards</b>               | <b>Hong Kong Accounting Standards</b> |                   |
| Net profit                 | 1,120,113                                     | 1,145,125                             |                   |
| Net assets                 | 21,440,768                                    | 21,080,769                            |                   |
| Description of differences |                                               | <b>Net profit</b>                     | <b>Net assets</b> |
|                            | Prepared under Hong Kong Accounting Standards | 1,145,125                             | 21,080,769        |
|                            | Add:                                          |                                       |                   |
|                            | Deferred income                               | –                                     | 588,570           |
|                            | Less:                                         |                                       |                   |
|                            | Recognition of deferred income                | (25,012)                              | (165,247)         |
|                            | Provision for furnace relining costs          | –                                     | (63,324)          |
|                            | Prepared under PRC Accounting Standards       | 1,120,113                             | 21,440,768        |

### 3 MOVEMENTS IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

#### 3.1 Table on share movement

*Unit: Shares*

|                                                | Prior to the current movements |        | Current movements (+,-) |              |                           |             |             | After current movements |        |
|------------------------------------------------|--------------------------------|--------|-------------------------|--------------|---------------------------|-------------|-------------|-------------------------|--------|
|                                                | Number of shares               | (%)    | New shares issue        | Bonus issues | Transferred from reserves | Others      | Sub-total   | Number of shares        | (%)    |
| I. Shares subject to selling restrictions      |                                |        |                         |              |                           |             |             |                         |        |
| 1. State-owned shares                          | 3,830,560,000                  | 59.34  | -                       | -            | -                         | -           | -           | 3,830,560,000           | 59.34  |
| 2. State-owned legal person shares             | -                              | -      | -                       | -            | -                         | -           | -           | -                       | -      |
| 3. Other domestic shares                       |                                |        |                         |              |                           |             |             |                         |        |
| Including:                                     |                                |        |                         |              |                           |             |             |                         |        |
| Shares owned by domestic legal person          | 87,810,000                     | 1.36   | -                       | -            | -                         | -87,810,000 | -87,810,000 | -                       | -      |
| Shares owned by domestic natural person        | -                              | -      | -                       | -            | -                         | -           | -           | -                       | -      |
| 4. Foreign-owned shares                        |                                |        |                         |              |                           |             |             |                         |        |
| Including:                                     |                                |        |                         |              |                           |             |             |                         |        |
| Shares owned by foreign legal person           | -                              | -      | -                       | -            | -                         | -           | -           | -                       | -      |
| Shares owned by foreign natural person         | -                              | -      | -                       | -            | -                         | -           | -           | -                       | -      |
| II. Shares not subject to selling restrictions |                                |        |                         |              |                           |             |             |                         |        |
| 1. RMB-denominated ordinary shares             | 804,000,000                    | 12.45  | -                       | -            | -                         | +87,810,000 | +87,810,000 | 891,810,000             | 13.81  |
| 2. Domestic listed foreign shares              | -                              | -      | -                       | -            | -                         | -           | -           | -                       | -      |
| 3. Foreign listed foreign shares               | 1,732,930,000                  | 26.85  | -                       | -            | -                         | -           | -           | 1,732,930,000           | 26.85  |
| 4. Others                                      | -                              | -      | -                       | -            | -                         | -           | -           | -                       | -      |
| III. Total number of shares                    | 6,455,300,000                  | 100.00 | -                       | -            | -                         | -           | -           | 6,455,300,000           | 100.00 |

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

*Unit: Shares*

Total number of shareholders      The Company had a total of 222,739 shareholders, including 221,067 A-share holders and 1,672 H-share holders at the end of the reporting period.

#### Shareholding of the 10 largest shareholders

| Name of shareholder                    | Type of shareholder     | As a percentage to number of shares held(%) | Total number of shares held | Number of shares held subject to selling restrictions | Number of pledged or frozen shares |
|----------------------------------------|-------------------------|---------------------------------------------|-----------------------------|-------------------------------------------------------|------------------------------------|
| Magang (Group) Holding Company Limited | State-owned shareholder | 59.34                                       | 3,830,560,000               | 3,830,560,000                                         | 0                                  |
| HKSCC (Nominees) Limited               | Foreign shareholder     | 25.68                                       | 1,657,722,997               | 0                                                     | unknown                            |
| HSBC (Nominees) Limited                | Foreign shareholder     | 0.48                                        | 31,040,000                  | 0                                                     | unknown                            |
| 易方達價值成長混合型證券投資基金                       | Others                  | 0.46                                        | 29,642,480                  | 0                                                     | unknown                            |
| 上投摩根中國優勢證券投資基金                         | Others                  | 0.37                                        | 23,994,596                  | 0                                                     | unknown                            |
| Morgan Stanley China A Share Fund      | Foreign shareholder     | 0.32                                        | 20,366,616                  | 0                                                     | unknown                            |
| 華安中小盤成長股票型證券投資基金                       | Others                  | 0.22                                        | 14,386,786                  | 0                                                     | unknown                            |
| 中歐新趨勢股票型證券投資基金 (LOF)                   | Others                  | 0.15                                        | 9,421,698                   | 0                                                     | unknown                            |
| 嘉實主題精選混合型證券投資基金                        | Others                  | 0.12                                        | 7,999,921                   | 0                                                     | unknown                            |
| 易方達平穩增長證券投資基金                          | Others                  | 0.11                                        | 7,000,000                   | 0                                                     | unknown                            |

## Shareholding of the 10 largest shareholders not subject to selling restrictions

| Name of shareholder                                                                                     | Number of shares held not subject to selling restrictions                                                                                                                                                                                                                                                                                                                                                                  | Type of shares                  |
|---------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| HKSCC (Nominees) Limited                                                                                | 1,657,722,997                                                                                                                                                                                                                                                                                                                                                                                                              | Overseas listed foreign shares  |
| HSBC (Nominees) Limited                                                                                 | 31,040,000                                                                                                                                                                                                                                                                                                                                                                                                                 | Overseas listed foreign shares  |
| 易方達價值成長混合型證券投資基金                                                                                        | 29,642,480                                                                                                                                                                                                                                                                                                                                                                                                                 | RMB-denominated ordinary shares |
| 上投摩根中國優勢證券投資基金                                                                                          | 23,994,596                                                                                                                                                                                                                                                                                                                                                                                                                 | RMB-denominated ordinary shares |
| Morgan Stanley China A Share Fund                                                                       | 20,366,616                                                                                                                                                                                                                                                                                                                                                                                                                 | RMB-denominated ordinary shares |
| 華安中小盤成長股票型證券投資基金                                                                                        | 14,386,786                                                                                                                                                                                                                                                                                                                                                                                                                 | RMB-denominated ordinary shares |
| 中歐新趨勢股票型證券投資基金 (LOF)                                                                                    | 9,421,698                                                                                                                                                                                                                                                                                                                                                                                                                  | RMB-denominated ordinary shares |
| 嘉實主題精選混合型證券投資基金                                                                                         | 7,999,921                                                                                                                                                                                                                                                                                                                                                                                                                  | RMB-denominated ordinary shares |
| 易方達平穩增長證券投資基金                                                                                           | 7,000,000                                                                                                                                                                                                                                                                                                                                                                                                                  | RMB-denominated ordinary shares |
| 大成創新成長混合型證券投資基金                                                                                         | 6,794,613                                                                                                                                                                                                                                                                                                                                                                                                                  | 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 the other shareholders mentioned above, nor were they concerted parties. E Fund Management Co., Ltd. was the manager of both 易方達價值成長混合型證券投資基金 and 易方達平穩增長證券投資基金. However, the Company is not aware of whether the other shareholders mentioned above had connected relationship or whether they were concerted parties. |                                 |

## 4 MANAGEMENT DISCUSSION AND ANALYSIS

### 4.1 Segmental analysis of principal operating activities and products

*Unit: RMB million*

| Business segment/<br>Product segment | Operating income | Operating cost | Gross profit margin (%) | Year-on-year increase/(decrease) of operating income (%) | Year-on-year increase/(decrease) of operating cost (%) | Year-on-year increase/(decrease) of gross profit margin |
|--------------------------------------|------------------|----------------|-------------------------|----------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------|
| Iron and steel                       | 19,439           | 17,388         | 10.55                   | 26.05                                                    | 27.41                                                  | Down 0.96 pct pt                                        |
| Steel plate                          | 7,156            | 6,460          | 9.73                    | 33.66                                                    | 34.50                                                  | Down 0.56 pct pt                                        |
| Section steel                        | 4,362            | 3,936          | 9.77                    | 11.59                                                    | 10.87                                                  | Up 0.59 pct pt                                          |
| Wire rods                            | 6,497            | 6,093          | 6.22                    | 36.15                                                    | 38.07                                                  | Down 1.30 pct pts                                       |
| Train wheels and wheel rims          | 1,187            | 675            | 43.13                   | 5.70                                                     | 4.33                                                   | Up 0.74 pct pt                                          |

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 RMB24.26 million during the reporting period.

## 4.2 Geographical analysis of principal operating activities

Unit: RMB million

| Region            | Operating income | Year-on-year increase/(decrease) of operating income (%) |
|-------------------|------------------|----------------------------------------------------------|
| Anhui             | 7,655            | 61                                                       |
| Jiangsu           | 3,229            | 1                                                        |
| Shanghai          | 3,345            | 35                                                       |
| Zhejiang          | 1,718            | -8                                                       |
| Guangdong         | 845              | 35                                                       |
| Other PRC regions | 1,653            | -8                                                       |
| Exports           | 2,305            | 64                                                       |

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

Operating cost accounted for 1,391.77% of the profit before tax, up 268.63 percentage points over last year, mainly a result of increased costs in raw material purchases during the reporting period. Non-operating income and expenses, net, were equivalent to 6.89% of the profit before tax, up 6.70 percentage points over last year, primarily attributable to increased net loss from disposal of non-current assets during the reporting period.

## 4.4 Use of fundraising proceeds

### 4.4.1 Use of fundraising proceeds

Unit: RMB million

|                                                                  |                                  |                                                             |                                         |                          |                                        |                                       |
|------------------------------------------------------------------|----------------------------------|-------------------------------------------------------------|-----------------------------------------|--------------------------|----------------------------------------|---------------------------------------|
| Total fundraising proceeds                                       | 5,355.65                         | Total fundraising proceeds used during the reporting period | 1,509.30                                |                          |                                        |                                       |
|                                                                  |                                  | Total fundraising proceeds used                             | 5,355.65                                |                          |                                        |                                       |
| <b>Undertaken project</b>                                        | <b>Planned investment amount</b> | <b>Any changes to the project</b>                           | <b>Actual investment in the project</b> | <b>Revenue generated</b> | <b>Meeting planned progress or not</b> | <b>Meeting planned revenue or not</b> |
| 5,000,000 tonnes cold and hot thin plate production project      | 5,355.65                         | No                                                          | 5,355.65                                | Not applicable           | Yes, in construction                   | Not applicable                        |
| Total                                                            | 5,355.65                         | —                                                           | 5,355.65                                | —                        | —                                      | —                                     |
| Explanation of inability to achieve scheduled progress and gains | Not applicable                   |                                                             |                                         |                          |                                        |                                       |
| Reason of change and explanation of the change procedures        | Not applicable                   |                                                             |                                         |                          |                                        |                                       |
| Uses and appropriation of un-used fundraising proceeds           | Not applicable                   |                                                             |                                         |                          |                                        |                                       |

## 5 SIGNIFICANT MATTERS

### 5.1 Guarantees

UNIT: RMB million

| External guarantees provided by the Company (excluding guarantees for subsidiaries)                                     |                        |                  |                   |                  |                  |                                             |
|-------------------------------------------------------------------------------------------------------------------------|------------------------|------------------|-------------------|------------------|------------------|---------------------------------------------|
| Guaranteed entity                                                                                                       | 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 during the reporting period (A)                                                                   |                        |                  |                   | 0                |                  |                                             |
| Guarantees provided by the Company for subsidiaries                                                                     |                        |                  |                   |                  |                  |                                             |
| Total guarantee amount for subsidiaries during the reporting period                                                     |                        |                  |                   | 3,950            |                  |                                             |
| Balance of guarantees for subsidiaries at the end of the reporting period (B)                                           |                        |                  |                   | 5,305            |                  |                                             |
| Total guarantee amount provided by the Company (including guarantees for subsidiaries)                                  |                        |                  |                   |                  |                  |                                             |
| Total guarantee amount (A+B)                                                                                            |                        |                  |                   | 5,305            |                  |                                             |
| Total guarantee amount as a percentage of net assets of the Company                                                     |                        |                  |                   | 25.30%           |                  |                                             |
| Including:                                                                                                              |                        |                  |                   |                  |                  |                                             |
| Guarantee amount provided for shareholders, actual controlling shareholders and connected parties (C)                   |                        |                  |                   | Not applicable   |                  |                                             |
| Guarantee amount provided directly or indirectly for entities with gearing (assets–liabilities) ratio exceeding 70% (D) |                        |                  |                   | Not applicable   |                  |                                             |
| Total guarantee amount exceeding 50% of net assets (E)                                                                  |                        |                  |                   | Not applicable   |                  |                                             |
| Total amount of the three guarantees mentioned above (C+D+E)                                                            |                        |                  |                   | Not applicable   |                  |                                             |



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

| Connected party                        | Funds provided to connected parties |                | Funds provided by connected parties to the listed company |                |
|----------------------------------------|-------------------------------------|----------------|-----------------------------------------------------------|----------------|
|                                        | Total amount                        | Balance amount | Total amount                                              | Balance amount |
|                                        | <i>Unit: RMB million</i>            |                |                                                           |                |
| Magang (Group) Holding Company Limited | –                                   | –              | 498                                                       | 1,298          |
| Other connected parties                | –                                   | –              | –                                                         | –              |
| Total                                  | –                                   | –              | 498                                                       | 1,298          |

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

### 5.3.1 The Company's holdings in shares issued by and investment securities in other listed companies

| Stock code                                                           | Abbreviation          | Shareholding | Shareholding percentage in the relevant company | Initial investment cost (RMB) | Item category in accounting |
|----------------------------------------------------------------------|-----------------------|--------------|-------------------------------------------------|-------------------------------|-----------------------------|
| 000709                                                               | Tang Steel Corp       | 1,304,160    | 0.058%                                          | 4,559,109                     | Long-term equity investment |
| 600618                                                               | Shanghai Chlor-Alkali | 164,578      | 0.014%                                          | 807,926                       | Long-term equity investment |
| Other securities investments held at the end of the reporting period |                       | –            | –                                               | –                             | –                           |
| Total                                                                |                       | –            | –                                               | 5,367,035                     | –                           |

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

During the first half of 2007, 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.

## 5.5 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.

## 5.6 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").

## 5.7 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 2007.

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.

## 6. FINANCIAL REPORT

### 6.1 Auditors' Opinion

Financial statements             unaudited    audited

### 6.2 Comparison of the balance sheets and income statements. (see Appendix)

### 6.3 Descriptions with reasons and influence in relation to the significant change of consolidation criteria of financial statements

There was no change to the consolidated criteria of the Company's financial statements as compared to the latest financial statements announced.

## 7. 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

Maanshan City, Anhui Province, the PRC  
16 August 2007

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

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

\* Independent Non-executive Directors

**CONDENSED CONSOLIDATED INCOME STATEMENT***(Prepared under Hong Kong Accounting Standards)***For the six months ended 30 June 2007**

|                                                                             |              | <b>For the six months<br/>ended 30 June</b> |                         |
|-----------------------------------------------------------------------------|--------------|---------------------------------------------|-------------------------|
|                                                                             | <i>Notes</i> | <b>2007</b>                                 | <b>2006</b>             |
|                                                                             |              | <b><i>Unaudited</i></b>                     | <b><i>Unaudited</i></b> |
|                                                                             |              | <b><i>RMB'000</i></b>                       | <b><i>RMB'000</i></b>   |
| REVENUE                                                                     | 2, 3         | <b>20,750,105</b>                           | 16,142,229              |
| Cost of sales                                                               |              | <b>(18,345,992)</b>                         | (14,144,189)            |
| Gross profit                                                                |              | <b>2,404,113</b>                            | 1,998,040               |
| Other income and gains                                                      | 3            | <b>78,462</b>                               | 73,626                  |
| Selling and distribution costs                                              |              | <b>(291,805)</b>                            | (240,074)               |
| Administrative expenses                                                     |              | <b>(466,963)</b>                            | (373,225)               |
| Other operating income/(expenses), net                                      |              | <b>(94,756)</b>                             | 17,438                  |
| Finance costs                                                               | 4            | <b>(305,888)</b>                            | (147,026)               |
| Share of profits and losses of:                                             |              |                                             |                         |
| A jointly-controlled entity                                                 |              | <b>(5,552)</b>                              | –                       |
| Associates                                                                  |              | <b>43,417</b>                               | 9,826                   |
| PROFIT BEFORE TAX                                                           | 5            | <b>1,361,028</b>                            | 1,338,605               |
| Income tax                                                                  | 6            | <b>(215,903)</b>                            | (231,535)               |
| PROFIT FOR THE PERIOD                                                       |              | <b>1,145,125</b>                            | 1,107,070               |
| Attributable to:                                                            |              |                                             |                         |
| Equity holders of the parent                                                |              | <b>1,111,095</b>                            | 1,090,020               |
| Minority interests                                                          |              | <b>34,030</b>                               | 17,050                  |
|                                                                             |              | <b>1,145,125</b>                            | 1,107,070               |
| DIVIDEND                                                                    | 7            | <b>Nil</b>                                  | Nil                     |
| EARNINGS PER SHARE ATTRIBUTABLE TO<br>ORDINARY EQUITY HOLDERS OF THE PARENT |              |                                             |                         |
| Basic                                                                       |              | <b>17.21cents</b>                           | 16.89 cents             |
| Diluted                                                                     |              | <b>15.55 cents</b>                          | N/A                     |

**CONDENSED CONSOLIDATED BALANCE SHEET***(Prepared under Hong Kong Accounting Standards)***30 June 2007**

|                                             | <b>As at<br/>30 June<br/>2007</b> | <b>As at<br/>31 December<br/>2006</b> |
|---------------------------------------------|-----------------------------------|---------------------------------------|
| <i>Notes</i>                                | <i>Unaudited<br/>RMB'000</i>      | <i>Audited<br/>RMB'000</i>            |
| <b>NON-CURRENT ASSETS</b>                   |                                   |                                       |
| Property, plant and equipment               | <b>26,857,472</b>                 | 18,752,595                            |
| Construction in progress                    | <b>16,869,350</b>                 | 21,066,978                            |
| Investment properties                       | <b>1,257</b>                      | 3,559                                 |
| Prepaid land premiums                       | <b>1,457,198</b>                  | 1,457,468                             |
| Other intangible asset                      | <b>120,453</b>                    | 113,507                               |
| Investment in a jointly-controlled entity   | <b>228,448</b>                    | 234,000                               |
| Investments in associates                   | <b>356,605</b>                    | 329,514                               |
| Available-for-sale equity investments       | <b>19,517</b>                     | 16,817                                |
| Held-to-maturity investments                | <b>8,259</b>                      | 8,259                                 |
| Deferred tax assets                         | <b>1,813</b>                      | —                                     |
|                                             | <hr/>                             | <hr/>                                 |
| Total non-current assets                    | <b>45,920,372</b>                 | 41,982,697                            |
| <b>CURRENT ASSETS</b>                       |                                   |                                       |
| Inventories                                 | <b>8,654,632</b>                  | 6,489,013                             |
| Construction contracts                      | <b>56,438</b>                     | 51,119                                |
| Trade and bills receivables                 | <b>5,676,815</b>                  | 1,263,559                             |
| Prepayments, deposits and other receivables | <b>1,197,483</b>                  | 769,353                               |
| Pledged deposits                            | <b>858,481</b>                    | 531,137                               |
| Cash and cash equivalents                   | <b>2,839,797</b>                  | 3,629,568                             |
|                                             | <hr/>                             | <hr/>                                 |
| Total current assets                        | <b>19,283,646</b>                 | 12,733,749                            |
| <b>CURRENT LIABILITIES</b>                  |                                   |                                       |
| Trade and bills payables                    | <b>9,020,666</b>                  | 5,997,722                             |
| Deposits received                           | <b>5,454,744</b>                  | 3,924,584                             |
| Other payables and accruals                 | <b>2,866,011</b>                  | 1,696,004                             |
| Interest-bearing bank and other borrowings  | <b>2,322,412</b>                  | 808,772                               |
| Tax payable                                 | <b>59,018</b>                     | 93,110                                |
| Provisions                                  | <b>44,074</b>                     | 50,770                                |
|                                             | <hr/>                             | <hr/>                                 |
| Total current liabilities                   | <b>19,766,925</b>                 | 12,570,962                            |
|                                             | <hr/>                             | <hr/>                                 |
| NET CURRENT ASSETS/(LIABILITIES)            | <b>(483,279)</b>                  | 162,787                               |
|                                             | <hr/>                             | <hr/>                                 |
| TOTAL ASSETS LESS CURRENT LIABILITIES       | <b>45,437,093</b>                 | 42,145,484                            |
|                                             | <hr/>                             | <hr/>                                 |

**CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)***(Prepared under Hong Kong Accounting Standards)***30 June 2007**

|                                                            | <b>As at<br/>30 June<br/>2007<br/><i>Unaudited</i><br/>RMB'000</b> | <b>As at<br/>31 December<br/>2006<br/><i>Audited</i><br/>RMB'000</b> |
|------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------|
| TOTAL ASSETS LESS CURRENT LIABILITIES                      | <b>45,437,093</b>                                                  | 42,145,484                                                           |
| NON-CURRENT LIABILITIES                                    |                                                                    |                                                                      |
| Interest-bearing bank and other borrowings                 | <b>19,054,602</b>                                                  | 15,713,140                                                           |
| Bonds with warrants                                        | <b>4,740,088</b>                                                   | 4,672,376                                                            |
| Deferred income                                            | <b>539,589</b>                                                     | 564,901                                                              |
| Provisions                                                 | <b>22,045</b>                                                      | 22,045                                                               |
| Due to the ultimate holding company                        | –                                                                  | 400,000                                                              |
| Deferred tax liabilities                                   | –                                                                  | 754                                                                  |
| Total non-current liabilities                              | <b>24,356,324</b>                                                  | 21,373,216                                                           |
| Net assets                                                 | <b>21,080,769</b>                                                  | 20,772,268                                                           |
| <b>EQUITY</b>                                              |                                                                    |                                                                      |
| <b>Equity attributable to equity holders of the parent</b> |                                                                    |                                                                      |
| Issued capital                                             | <b>6,455,300</b>                                                   | 6,455,300                                                            |
| Equity component of bonds with warrants                    | <b>585,463</b>                                                     | 585,463                                                              |
| Reserves                                                   | <b>13,692,914</b>                                                  | 12,581,819                                                           |
| Proposed final dividend                                    | –                                                                  | 839,189                                                              |
|                                                            | <b>20,733,677</b>                                                  | 20,461,771                                                           |
| <b>Minority interests</b>                                  | <b>347,092</b>                                                     | 310,497                                                              |
| Total equity                                               | <b>21,080,769</b>                                                  | 20,772,268                                                           |

## 1. ACCOUNTING POLICIES

The interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006 except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted the first time for the current period’s financial statements:

|                  |                                                                                                           |
|------------------|-----------------------------------------------------------------------------------------------------------|
| HKAS 1 Amendment | Capital Disclosures                                                                                       |
| HKFRS 7          | Financial Instruments: Disclosures                                                                        |
| HK(IFRIC)–Int 7  | Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> |
| HK(IFRIC)–Int 8  | Scope of HKFRS 2                                                                                          |
| HK(IFRIC)–Int 9  | Reassessment of Embedded Derivatives                                                                      |
| HK(IFRIC)–Int 10 | Interim Financial Reporting and Impairment                                                                |
| HK(IFRIC)–Int 11 | HKFRS 2 – Group and Treasury Share Transactions                                                           |

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements.

## 2. SEGMENT INFORMATION

No business segment information is presented as over 90% of the Group’s revenue is derived from one business segment, which is the manufacture and sale of iron and steel products and related by-products.

The analysis of the Group’s secondary segment information, geographical segment, is presented based on the geographical location of customers. The Group’s assets and liabilities are almost entirely situated in the PRC and accordingly, no information on segment assets and capital expenditure is provided.

|                 | For the six months ended 30 June |                  |                   |                   |                  |                   |
|-----------------|----------------------------------|------------------|-------------------|-------------------|------------------|-------------------|
|                 | 2007                             |                  |                   | 2006              |                  |                   |
|                 | PRC                              | Overseas         | Total             | PRC               | Overseas         | Total             |
|                 | <i>Unaudited</i>                 | <i>Unaudited</i> | <i>Unaudited</i>  | <i>Unaudited</i>  | <i>Unaudited</i> | <i>Unaudited</i>  |
|                 | <i>RMB’000</i>                   | <i>RMB’000</i>   | <i>RMB’000</i>    | <i>RMB’000</i>    | <i>RMB’000</i>   | <i>RMB’000</i>    |
| Segment revenue | <u>18,460,507</u>                | <u>2,289,598</u> | <u>20,750,105</u> | <u>14,740,394</u> | <u>1,401,835</u> | <u>16,142,229</u> |

### 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:

|                                                              | <b>For the six months<br/>ended 30 June</b> |                  |
|--------------------------------------------------------------|---------------------------------------------|------------------|
|                                                              | <b>2007</b>                                 | <b>2006</b>      |
|                                                              | <i>Unaudited</i>                            | <i>Unaudited</i> |
|                                                              | <i>RMB'000</i>                              | <i>RMB'000</i>   |
| <b>Revenue</b>                                               |                                             |                  |
| Sale of goods                                                | <b>20,750,105</b>                           | 16,142,229       |
|                                                              | <hr/> <hr/>                                 | <hr/> <hr/>      |
| <b>Other income and gains</b>                                |                                             |                  |
| Bank interest income                                         | <b>20,235</b>                               | 13,235           |
| Dividend income from an available-for-sale equity investment | –                                           | 5,295            |
| Recognition of deferred income                               | <b>25,012</b>                               | 24,876           |
| Trading of iron ores                                         | <b>16,331</b>                               | 18,644           |
| Others                                                       | <b>16,884</b>                               | 11,576           |
|                                                              | <hr/>                                       | <hr/>            |
|                                                              | <b>78,462</b>                               | 73,626           |
|                                                              | <hr/> <hr/>                                 | <hr/> <hr/>      |

### 4. FINANCE COSTS

|                                                                                                | <b>For the six months<br/>ended 30 June</b> |                  |
|------------------------------------------------------------------------------------------------|---------------------------------------------|------------------|
|                                                                                                | <b>2007</b>                                 | <b>2006</b>      |
|                                                                                                | <i>Unaudited</i>                            | <i>Unaudited</i> |
|                                                                                                | <i>RMB'000</i>                              | <i>RMB'000</i>   |
| Interest on bank loans, other loans and bonds with warrants wholly repayable within five years | <b>668,861</b>                              | 324,970          |
| Less: Interest capitalised in construction in progress                                         | <b>(362,973)</b>                            | (177,944)        |
|                                                                                                | <hr/>                                       | <hr/>            |
|                                                                                                | <b>305,888</b>                              | 147,026          |
|                                                                                                | <hr/> <hr/>                                 | <hr/> <hr/>      |

## 5. PROFIT BEFORE TAX

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

|                                                                                    | <b>For the six months<br/>ended 30 June</b> |                  |
|------------------------------------------------------------------------------------|---------------------------------------------|------------------|
|                                                                                    | <b>2007</b>                                 | <b>2006</b>      |
|                                                                                    | <i>Unaudited</i>                            | <i>Unaudited</i> |
|                                                                                    | <i>RMB'000</i>                              | <i>RMB'000</i>   |
| Depreciation of property, plant and equipment                                      | <b>1,322,824</b>                            | 1,137,129        |
| Depreciation of investment properties                                              | <b>17</b>                                   | 293              |
| Recognition of prepaid land premiums                                               | <b>18,872</b>                               | 12,444           |
| Amortisation of a mine participation right                                         | <b>2,291</b>                                | 2,241            |
| Auditors' remuneration                                                             | <b>3,004</b>                                | 2,550            |
| Staff costs:                                                                       |                                             |                  |
| Wages and salaries                                                                 | <b>793,964</b>                              | 684,452          |
| Welfare and benefits                                                               | <b>313,768</b>                              | 262,910          |
| Pension scheme contributions                                                       | <b>190,986</b>                              | 147,700          |
|                                                                                    | <b>1,298,718</b>                            | 1,095,062        |
| Contingent rents under operating leases<br>in respect of land and buildings        | <b>18,125</b>                               | 18,125           |
| Foreign exchange differences:                                                      |                                             |                  |
| Foreign exchange gains, net                                                        | <b>(9,457)</b>                              | (20,756)         |
| Less: Foreign exchange gains capitalised<br>in construction in progress            | <b>19,320</b>                               | 7,460            |
|                                                                                    | <b>9,863</b>                                | (13,296)         |
| Loss/(gain) on disposal of items of property, plant<br>and equipment, net          | <b>94,304</b>                               | (1,676)          |
| Reversal of impairment provision for<br>construction in progress ( <i>note i</i> ) | <b>–</b>                                    | (17,676)         |
| Net rental income                                                                  | <b>(625)</b>                                | (1,250)          |
| Bank interest income                                                               | <b>(20,235)</b>                             | (13,235)         |
| Dividend income from an available-for-sale equity<br>investment                    | <b>–</b>                                    | (5,295)          |
| Recognition of deferred income ( <i>note ii</i> )                                  | <b>(25,012)</b>                             | (24,876)         |



Notes:

- (i) Reversal of impairment provision for construction in progress is included in “Other operating income/(expenses), net” on the face of the condensed consolidated income statement.
- (ii) Various government grants have been received for the construction of specific projects and included in deferred income in the balance sheet. Upon completion of the construction of specific projects and the 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. INCOME TAX

|                                        | <b>For the six months<br/>ended 30 June</b> |                  |
|----------------------------------------|---------------------------------------------|------------------|
|                                        | <b>2007</b>                                 | <b>2006</b>      |
|                                        | <i>Unaudited</i>                            | <i>Unaudited</i> |
|                                        | <i>RMB'000</i>                              | <i>RMB'000</i>   |
| Group:                                 |                                             |                  |
| Current – Mainland China               | <b>208,004</b>                              | 218,970          |
| Current – Elsewhere                    | <b>10,466</b>                               | 5,937            |
| Deferred                               | <b>(2,567)</b>                              | 6,628            |
|                                        | <hr/>                                       | <hr/>            |
| Total income tax charge for the period | <b>215,903</b>                              | 231,535          |
|                                        | <hr/> <hr/>                                 | <hr/> <hr/>      |

The income tax for the Company and its subsidiaries in the mainland of the PRC (the “Mainland China”) 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. Certain of the Company’s subsidiaries 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.

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. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2007 (2006: Nil).

## 8. TRADE AND BILLS RECEIVABLES

The Group's credit periods offered to selected customers are 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 amount of the trade receivables. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, and net of provision, is as follows:

|                        | <b>As at<br/>30 June<br/>2007<br/><i>Unaudited</i><br/>RMB'000</b> | <b>As at<br/>31 December<br/>2006<br/><i>Audited</i><br/>RMB'000</b> |
|------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------|
| Trade receivables:     |                                                                    |                                                                      |
| Within three months    | 797,299                                                            | 553,187                                                              |
| Four to six months     | 16,350                                                             | 10,623                                                               |
| Seven to twelve months | 9,050                                                              | 4,953                                                                |
| One to two years       | 7,173                                                              | 9,366                                                                |
| Two to three years     | 3,381                                                              | 4,292                                                                |
|                        | <hr/>                                                              | <hr/>                                                                |
|                        | 833,253                                                            | 582,421                                                              |
| Bills receivable       | 4,843,562                                                          | 681,138                                                              |
|                        | <hr/>                                                              | <hr/>                                                                |
|                        | <b>5,676,815</b>                                                   | <b>1,263,559</b>                                                     |
|                        | <hr/> <hr/>                                                        | <hr/> <hr/>                                                          |

Bills receivable will mature within one year.

Included in the Group's trade and bills receivables are amounts due from Holding, and its subsidiaries, aggregating approximately RMB8,855,000 (31 December 2006: approximately RMB10,434,000). Such balances principally arose from normal trading activities.

## 9. TRADE AND BILLS PAYABLES

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

|                    | <b>As at<br/>30 June<br/>2007<br/><i>Unaudited</i><br/>RMB'000</b> | <b>As at<br/>31 December<br/>2006<br/><i>Audited</i><br/>RMB'000</b> |
|--------------------|--------------------------------------------------------------------|----------------------------------------------------------------------|
| Within one year    | 8,744,840                                                          | 5,950,074                                                            |
| One to two years   | 256,991                                                            | 28,668                                                               |
| Two to three years | 5,691                                                              | 13,080                                                               |
| Over three years   | 13,144                                                             | 5,900                                                                |
|                    | <b><u>9,020,666</u></b>                                            | <b><u>5,997,722</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, in aggregate, amounting to approximately RMB181,383,000 (31 December 2006: approximately RMB197,455,000). Such balances principally arose from normal trading activities.

Included in the Group's trade payables are amounts due to associates and a jointly-controlled entity, in aggregate, amounting to approximately RMB41,063,000 (31 December 2006: approximately RMB7,362,000). Such balances principally arose from normal trading activities.

At 30 June 2007, the carrying amounts of the Group's inventories and cash deposits, which were pledged as security for the Group's trading facilities for the issuance of bank bills, amounted to RMB334,051,000 (31 December 2006: RMB121,914,000) and RMB850,865,000 (31 December 2006: RMB531,137,000), respectively.

## 10. CONTINGENT LIABILITIES

- (a) As at 30 June 2007, the Company had granted guarantees amounting to approximately RMB5,305 million (31 December 2006: approximately RMB7,728 million) to banks in connection with facilities granted to its subsidiaries.
- (b) As announced by the Company on 5 July 2007, the State Administration of Taxation (the "SAT") issued a notice (the "Notice") in June 2007 about the change in concessionary income tax policy applicable for nine state-owned enterprises (including the Company) which were listed in Hong Kong in 1993. According to the Notice, the SAT ordered the relevant local tax authorities to immediately rectify any of the expired concessionary policy for the abovementioned nine companies and treat any of the income tax differences for previous years arising therefrom in accordance with the relevant rules under the Law on the Administration of Tax Collection.

At this stage, the relevant implementation rules have not yet been announced and the Company is still in the process of communication with the tax authority regarding the matter. Accordingly, the directors of the Company consider that the amount of the potential exposure cannot be estimated reliably, and therefore, no provision has been recognised as at the balance sheet date.

**BALANCE SHEET***(Prepared under PRC accounting standards)*

RMB

**ASSETS**

|                                               | 30 June 2007              |                             | 31 December 2006                             |                                                |
|-----------------------------------------------|---------------------------|-----------------------------|----------------------------------------------|------------------------------------------------|
|                                               | Group<br><i>Unaudited</i> | Company<br><i>Unaudited</i> | Group<br><i>Audited</i><br><i>(Restated)</i> | Company<br><i>Audited</i><br><i>(Restated)</i> |
| <b>CURRENT ASSETS:</b>                        |                           |                             |                                              |                                                |
| Cash and balances with financial institutions | 3,698,277,732             | 1,760,267,910               | 4,160,704,714                                | 2,808,993,288                                  |
| Bills receivable                              | 4,843,561,918             | 4,603,772,402               | 681,137,717                                  | 613,910,339                                    |
| Trade receivables                             | 833,252,784               | 985,813,275                 | 582,420,964                                  | 539,362,472                                    |
| Prepayments                                   | 924,684,464               | 898,312,888                 | 608,716,305                                  | 733,451,150                                    |
| Other receivables                             | 272,799,121               | 55,063,316                  | 160,637,099                                  | 50,088,671                                     |
| Inventories                                   | 8,711,069,644             | 7,682,346,465               | 6,540,131,949                                | 6,075,927,157                                  |
|                                               | <hr/>                     | <hr/>                       | <hr/>                                        | <hr/>                                          |
| Total current assets                          | 19,283,645,663            | 15,985,576,256              | 12,733,748,748                               | 10,821,733,077                                 |
|                                               | <hr/>                     | <hr/>                       | <hr/>                                        | <hr/>                                          |
| <b>NON-CURRENT ASSETS:</b>                    |                           |                             |                                              |                                                |
| Held-to-maturity investments                  | 8,258,870                 | 8,258,870                   | 8,258,870                                    | 8,258,870                                      |
| Long term equity investments                  | 604,569,748               | 1,773,568,468               | 580,331,440                                  | 1,749,314,443                                  |
| Investment properties                         | 1,257,530                 | 19,416,706                  | 3,559,300                                    | 19,619,230                                     |
| Fixed assets                                  | 26,857,472,072            | 25,585,430,842              | 18,752,595,064                               | 17,794,289,162                                 |
| Construction materials                        | 2,097,817,912             | 2,086,560,600               | 2,334,055,945                                | 2,324,778,635                                  |
| Construction in progress                      | 14,771,531,886            | 14,740,562,358              | 18,732,921,149                               | 18,655,455,975                                 |
| Intangible assets                             | 1,577,651,200             | 1,229,946,653               | 1,570,974,980                                | 1,228,644,614                                  |
| Deferred tax assets                           | 126,975,000               | 126,975,000                 | 134,565,000                                  | 134,565,000                                    |
|                                               | <hr/>                     | <hr/>                       | <hr/>                                        | <hr/>                                          |
| Total non-current assets                      | 46,045,534,218            | 45,570,719,497              | 42,117,261,748                               | 41,914,925,929                                 |
|                                               | <hr/>                     | <hr/>                       | <hr/>                                        | <hr/>                                          |
| <b>TOTAL ASSETS</b>                           | <b>65,329,179,881</b>     | <b>61,556,295,753</b>       | <b>54,851,010,496</b>                        | <b>52,736,659,006</b>                          |
|                                               | <hr/> <hr/>               | <hr/> <hr/>                 | <hr/> <hr/>                                  | <hr/> <hr/>                                    |

**BALANCE SHEET (CONTINUED)***(Prepared under PRC accounting standards)*

RMB

**LIABILITIES AND SHAREHOLDERS' EQUITY**

|                                                                | 30 June 2007              |                             | 31 December 2006                             |                                                |
|----------------------------------------------------------------|---------------------------|-----------------------------|----------------------------------------------|------------------------------------------------|
|                                                                | Group<br><i>Unaudited</i> | Company<br><i>Unaudited</i> | Group<br><i>Audited</i><br><i>(Restated)</i> | Company<br><i>Audited</i><br><i>(Restated)</i> |
| <b>CURRENT LIABILITIES:</b>                                    |                           |                             |                                              |                                                |
| Short term loans                                               | 970,756,986               | 200,000,000                 | 399,018,506                                  | 200,000,000                                    |
| Bills payable                                                  | 1,909,029,220             | 202,409,675                 | 1,346,880,982                                | 365,380,982                                    |
| Accounts payable                                               | 7,111,636,420             | 7,353,702,570               | 4,650,841,361                                | 4,628,322,903                                  |
| Deposits received                                              | 5,454,743,728             | 4,753,395,621               | 3,924,584,355                                | 3,667,107,146                                  |
| Payroll and benefits payable                                   | 298,771,010               | 235,568,521                 | 297,882,337                                  | 272,275,325                                    |
| Taxes payable                                                  | 177,492,702               | 142,068,006                 | 299,623,169                                  | 253,459,226                                    |
| Interests payable                                              | 55,609,420                | 52,000,833                  | 66,785,238                                   | 66,785,238                                     |
| Dividends payable                                              | 1,651,201,308             | 1,645,701,308               | 408,654,914                                  | 407,802,582                                    |
| Other payables                                                 | 786,028,222               | 566,894,005                 | 766,937,747                                  | 541,690,161                                    |
| Non-current liabilities due within a year                      | 1,351,655,442             | 1,327,180,556               | 409,752,537                                  | 381,328,044                                    |
| <b>Total current liabilities</b>                               | <b>19,766,924,458</b>     | <b>16,478,921,095</b>       | <b>12,570,961,146</b>                        | <b>10,784,151,607</b>                          |
| <b>NON-CURRENT LIABILITIES:</b>                                |                           |                             |                                              |                                                |
| Long term loans                                                | 19,054,601,991            | 19,040,015,000              | 15,713,139,994                               | 15,697,870,000                                 |
| Bonds payable                                                  | 4,740,088,415             | 4,740,088,415               | 4,672,376,376                                | 4,672,376,376                                  |
| Specific payables                                              | 116,266,523               | 116,266,523                 | 116,566,523                                  | 116,566,523                                    |
| Other non-current liabilities                                  | 96,543,959                | 96,543,959                  | 496,543,959                                  | 496,543,959                                    |
| Deferred tax liabilities                                       | 113,987,000               | 113,987,000                 | 124,144,000                                  | 124,144,000                                    |
| <b>Total non-current liabilities</b>                           | <b>24,121,487,888</b>     | <b>24,106,900,897</b>       | <b>21,122,770,852</b>                        | <b>21,107,500,858</b>                          |
| <b>Total liabilities</b>                                       | <b>43,888,412,346</b>     | <b>40,585,821,992</b>       | <b>33,693,731,998</b>                        | <b>31,891,652,465</b>                          |
| <b>SHAREHOLDERS' EQUITY:</b>                                   |                           |                             |                                              |                                                |
| Share capital                                                  | 6,455,300,000             | 6,455,300,000               | 6,455,300,000                                | 6,455,300,000                                  |
| Capital reserve                                                | 6,039,008,494             | 6,039,008,494               | 6,039,008,494                                | 6,039,008,494                                  |
| Surplus reserves                                               | 2,637,160,200             | 2,564,661,890               | 2,637,160,200                                | 2,564,661,890                                  |
| Retained profits                                               | 5,962,206,482             | 5,911,503,377               | 5,715,312,635                                | 5,786,036,157                                  |
| including: cash dividend<br>proposed by directors              | –                         | –                           | 1,032,848,000                                | 1,032,848,000                                  |
| <b>Equity attributable to equity<br/>holders of the parent</b> | <b>21,093,675,176</b>     | <b>20,970,473,761</b>       | <b>20,846,781,329</b>                        | <b>20,845,006,541</b>                          |
| Minority interests                                             | 347,092,359               | –                           | 310,497,169                                  | –                                              |
| <b>Total shareholder's equity</b>                              | <b>21,440,767,535</b>     | <b>20,970,473,761</b>       | <b>21,157,278,498</b>                        | <b>20,845,006,541</b>                          |
| <b>TOTAL LIABILITIES AND<br/>SHAREHOLDERS' EQUITY</b>          | <b>65,329,179,881</b>     | <b>61,556,295,753</b>       | <b>54,851,010,496</b>                        | <b>52,736,659,006</b>                          |

## INCOME STATEMENTS

(Prepared under PRC accounting standards)

RMB

|                                                                                            | For the six months<br>ended 30 June 2007 |                  | For the six months<br>ended 30 June 2006 |                                       |
|--------------------------------------------------------------------------------------------|------------------------------------------|------------------|------------------------------------------|---------------------------------------|
|                                                                                            | Group                                    | Company          | Group                                    | Company                               |
|                                                                                            | <i>Unaudited</i>                         | <i>Unaudited</i> | <i>Unaudited</i><br><i>(Restated)</i>    | <i>Unaudited</i><br><i>(Restated)</i> |
| Revenue                                                                                    | 21,026,711,954                           | 21,538,496,170   | 16,726,984,448                           | 16,612,739,225                        |
| Less: Cost of sales                                                                        | (18,593,648,477)                         | (19,439,198,630) | (14,736,483,124)                         | (14,707,740,937)                      |
| Taxes and surcharges                                                                       | (168,102,325)                            | (154,655,370)    | (117,384,317)                            | (111,835,867)                         |
| Selling expenses                                                                           | (123,702,417)                            | (116,552,176)    | (124,171,646)                            | (120,553,315)                         |
| Administrative expenses                                                                    | (442,987,192)                            | (361,645,382)    | (368,837,619)                            | (321,529,530)                         |
| Financial expenses                                                                         | (307,700,336)                            | (274,518,431)    | (137,282,094)                            | (129,691,979)                         |
| Assets impairment losses                                                                   | –                                        | –                | 54,857,357                               | 54,857,357                            |
| Add: Investment income                                                                     | 37,865,269                               | 38,159,847       | 15,120,523                               | 90,125,482                            |
| Including: Share of profits and losses<br>of associates and a jointly<br>controlled entity | 37,865,269                               | 38,159,847       | 9,825,562                                | 9,825,562                             |
| Operating profit                                                                           | 1,428,436,476                            | 1,230,086,028    | 1,312,803,528                            | 1,366,370,436                         |
| Add: Non-operating income                                                                  | 4,264,068                                | 1,158,478        | 2,060,142                                | 1,804,866                             |
| Less: Non-operating expenses                                                               | (96,684,665)                             | (96,015,028)     | (1,134,728)                              | (1,124,398)                           |
| Including: Loss/(gain) on disposal<br>of non-current assets                                | (94,304,468)                             | (94,295,000)     | 1,676,553                                | 1,676,553                             |
| Profit before tax                                                                          | 1,336,015,879                            | 1,135,229,478    | 1,313,728,942                            | 1,367,050,904                         |
| Less: Income tax                                                                           | (215,902,529)                            | (170,573,258)    | (231,534,610)                            | (211,685,636)                         |
| Net profit                                                                                 | 1,120,113,350                            | 964,656,220      | 1,082,194,332                            | 1,155,365,268                         |