



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 2008 INTERIM RESULTS ANNOUNCEMENT**

### **1. IMPORTANT NOTICES**

- 1.1** The board of directors (the “Board of Directors”), the supervisory committee, the directors, the supervisors and senior management of Maanshan Iron & Steel Company Limited (the “Company”) warrant that there are no false representations 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** No funding appropriation by substantial shareholders was found in the Company.
- 1.3** Mr. Gu Jianguo, Chairman of the Company, Mr. Su Jiangang, Director and General Manager overseeing the accounting operations, and Mr. Guan Yagang, Planning and Finance Manager in charge of the Accounting Department, make representation in respect of the truthfulness and completeness of the financial statements contained in the interim report.
- 1.4** 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
Places of listing	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
	<b>Secretary to the Board of Directors</b>	<b>Representative for Securities Affairs</b>
Name	Gao Haijian	Hu Shunliang
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	86-555-2888158/2887997	86-555-2888158/2887997
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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)

			<i>Unit: RMB'000</i>
	<b>As at the end of the reporting period</b>	<b>As at the end of the previous year</b>	<b>Increase/ (decrease) of the end of the reporting period as compared to the end of the previous year (%)</b>
Total assets	76,082,077	71,126,024	6.97
Shareholders' equity	24,398,574	23,017,264	6.00
Net assets per share (RMB)	3.61	3.41	5.87
	<b>Reporting period (January to June)</b>	<b>Corresponding period of the previous year</b>	<b>Increase/(decrease) of the reporting period as compared to the corresponding period of the previous year (%)</b>
Operating profit	3,125,952	1,428,441	118.84
Profit before tax	3,153,510	1,361,028	131.70
Net profit	2,261,278	1,111,095	103.52
Net profit excluding non-recurring gains or losses	2,232,194	1,165,530	91.52
Basic earnings per share (RMB)	0.335	0.172	94.77
Diluted earnings per share (RMB)	0.309	0.156	98.08
Return on net assets (%)	9.27	5.36	Up 3.91 pct pts
Net cash flows from operating activities	6,537,919	(1,328,299)	592.20
Net cash flows per share from operating activities (RMB)	0.967	(0.206)	569.42

2.2.2 *Non-recurring gains or losses*  
(Prepared under PRC accounting standards)

Unit: RMB'000

Item of non-recurring gains or losses	Amount
Net loss on disposal of non-current assets	(575)
Other non-operating income and expenses	(5,878)
Government subsidies	34,010
Income tax effect	1,314
Non-recurring gains or losses attributable to minority shareholders	213
Total	<u>29,084</u>

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

**3.1 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** As at the end of the reporting period, the Company had a total of 355,110 shareholders, including 353,707 A share holders and 1,403 H share holders.

**Shareholding of the 10 largest shareholders**

Name of shareholder	Type of shareholders	As a percentage to number of shares held (%)	Total number of shares held	Number of shares held with selling restrictions	Number of pledged or frozen shares
Magang (Group) Holding Company Limited	State-owned shareholder	56.68	3,830,560,000	3,830,560,000	0
HKSCC (Nominees) Limited	Foreign shareholder	25.28	1,708,536,966	0	unknown
鵬華價值優勢股票型證券投資基金	Others	0.40	26,999,683	0	unknown
南方成份精選股票型證券投資基金	Others	0.32	21,554,989	0	unknown
光大保德信量化核心證券投資	Others	0.30	20,552,050	0	unknown
易方達價值成長混合型證券投資基金	Others	0.26	17,700,000	0	unknown
上投摩根中國優勢證券投資基金	Others	0.24	15,999,880	0	unknown
嘉實服務增值行業證券投資基金	Others	0.22	14,974,099	0	unknown
上證紅利交易型開放式指數證券投資基金	Others	0.22	14,705,619	0	unknown
嘉實滬深300指數證券投資基金	Others	0.14	9,328,343	0	unknown

## Shareholding of the 10 largest shareholders without selling restrictions

Name of shareholder	Number of shares held without selling restrictions	Type of shares
HKSCC (Nominees) Limited	1,708,536,966	Overseas listed foreign shares
鵬華價值優勢股票型證券投資基金	26,999,683	RMB-denominated ordinary shares
南方成份精選股票型證券投資基金	21,554,989	RMB-denominated ordinary shares
光大保德信量化核心證券投資	20,552,050	RMB-denominated ordinary shares
易方達價值成長混合型證券投資基金	17,700,000	RMB-denominated ordinary shares
上投摩根中國優勢證券投資基金	15,999,880	RMB-denominated ordinary shares
嘉實服務增值行業證券投資基金	14,974,099	RMB-denominated ordinary shares
上證紅利交易型開放式指數證券投資基金	14,705,619	RMB-denominated ordinary shares
嘉實滬深300指數證券投資基金	9,328,343	RMB-denominated ordinary shares
華安宏利股票型證券投資基金	9,000,000	RMB-denominated ordinary shares

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

There was no connected relationship between Magang (Group) Holding Company Limited (“Holding”) and any of the aforementioned shareholders, nor were they concerted parties. 嘉實基金管理有限公司 was the manager of both 嘉實服務增值行業證券投資基金 and 嘉實滬深300指數證券投資基金. However, the Company is not aware of whether the other shareholders mentioned above had connected relationship or whether they were concerted parties.

## 4. REPORT OF THE DIRECTORS

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

*Unit: RMB million*

Business segment/ Product segment	Operating income	Operating cost	Gross profit margin (%)	Year-on-year	Year-on-year	Year-on-year
				increase/ (decrease) of operating income (%)	increase/ (decrease) of operating cost (%)	increase/ (decrease) of gross profit margin (%)
Iron and steel	35,628	31,420	11.81	83.28	80.70	Up 1.26 pct pts
<b>Product segment</b>						
Steel plates	17,504	15,545	11.19	144.61	140.63	Up 1.47 pct pts
Section steels	5,919	5,165	12.74	35.69	31.22	Up 2.97 pct pts
Wire rods	10,444	9,393	10.06	60.75	54.16	Up 3.84 pct pts
Train wheels and wheel rims	1,413	975	31.00	19.04	44.44	Down 12.14 pct pts

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 RMB18.02 million during the reporting period.

### 4.2 Geographical distribution of the operating income

*Unit: RMB million*

Region	Operating income	Year-on-year
		increase/ (decrease) of operating income (%)
Anhui	14,721	85.48
Shanghai	6,904	106.39
Jiangsu	4,837	49.78
Zhejiang	3,790	120.57
Guangdong	2,607	208.38
Other PRC regions	2,932	77.37
Exports	1,934	-16.09

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

Operating cost accounted for 1,041.62% of the profit before tax, down 564.84 percentage points over last year. Taxes and surcharges accounted for 13.82% of the profit before tax, down 8.64 percentage points over last year. Expenses for the period accounted for 46.02% of the profit before tax, down 40.26 percentage points over last year. These were mainly due to the relative increase in the Company's profit before tax during the reporting period.

### 4.4 Use of fundraising proceeds

#### 4.4.1 Use of fundraising proceeds

*Unit: RMB million*

Total fundraising proceeds	1,004.78	Total fundraising proceeds used during the reporting period		443.36		
		Total accumulated fundraising proceeds used		1,004.78		
Undertaken project	Planned investment amount	Any changes to the project	Actual investment in the project	Revenue generated	Meeting planned progress or not	Meeting planned revenue or not
5,000,000-tonne cold and hot thin-plate production project	1,004.78	No	1,004.78	Not applicable	Yes	Not applicable
<b>Total</b>	1,004.78	—	1,004.78	—	—	—
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*

<b>External guarantees provided by the Company (excluding guarantees for subsidiaries)</b>						
<b>Guaranteed entity</b>	<b>Date of incurrence (Agreement signing date)</b>	<b>Guarantee Amount</b>	<b>Type of guarantee</b>	<b>Guarantee period</b>	<b>Completed or not</b>	<b>Guarantee for connected parties (Yes or No)</b>
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		
<b>Guarantees provided by the Company for subsidiaries</b>						
Total guarantee amount for subsidiaries during the reporting period				0		
Balance of guarantees for subsidiaries at the end of the reporting period (B)				5,014		
<b>Total guarantee amount provided by the Company (including guarantees for subsidiaries)</b>						
Total guarantee amount (A+B)				5,014		
Total guarantee amount as a percentage of net assets of the Company				21.07%		
<b>Including:</b>						
Guarantee amount provided for shareholders, the de facto controller 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

*Unit: RMB million*

Connected party	Funds provided to connected parties		Funds provided by connected parties to the listed company	
	Total amount	Balance amount	Total amount	Balance amount
Magang (Group) Holding Company Limited	–	–	500	1,296
Other connected parties	–	–	–	–
Total	<u>–</u>	<u>–</u>	<u>500</u>	<u>1,296</u>

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

### 5.3.1 Securities investments

*Unit: RMB*

Item no.	Securities code	Abbreviation	Number of shares held at the end of the reporting period	Initial investment amount	Book value at the end of the reporting period	Book value at the beginning of the reporting period	Item category in accounting
1	601857	PetroChina	35,000	584,500	522,900	1,083,600	Held-for-trading financial assets
2	601390	China Railway Group	33,000	158,400	171,600	379,170	Held-for-trading financial assets
3	601898	China Coal	12,000	201,960	191,760	–	Held-for-trading financial assets
4	601186	China Railway Construction Corporation Limited	20,000	181,600	187,200	–	Held-for-trading financial assets
Total			–	<u>1,126,460</u>	<u>1,073,460</u>	<u>1,462,770</u>	–

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

During the first half of 2008, 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 2008.

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 STATEMENTS**

### **6.1 Auditors’ opinion**

Financial statements  unaudited  audited

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

### **6.3 The consolidation scope of the Group for the period**

On 4 May 2008, Anhui Masteel Holly Industries Co. Ltd., a controlling subsidiary of the Company, acquired 75% of equity interests in Masteel Auto-Parking Equipment with Artificial Intelligent Co., Ltd., a controlling subsidiary of Holding, at a consideration of RMB15.6776 million. The entity will be included in the scope of consolidation for the period in accordance with the relevant requirements for consolidating enterprises which are controlled by the same entity.

Save for the above companies, the consolidation scope of the Group’s financial statements for the period has no change as compared to the previous issue of financial report.

**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*

14 August 2008

Maanshan City, Anhui Province, the PRC

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

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

*\* Independent Non-executive Directors*

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

		<b>For the six months ended 30 June</b>	
		<b>2008</b>	2007
		<b>Unaudited</b>	Unaudited
	<i>Notes</i>		
<b>REVENUE</b>	2, 3	<b>37,042,230</b>	20,750,105
Cost of sales		<u><b>(32,229,612)</b></u>	<u>(18,345,992)</u>
Gross profit		<b>4,812,618</b>	2,404,113
Other income and gains	3	<b>304,630</b>	78,462
Selling and distribution costs		<b>(606,917)</b>	(291,805)
Administrative expenses		<b>(529,855)</b>	(466,963)
Other operating expenses, net		<b>(1,024)</b>	(94,756)
Finance costs	4	<b>(952,516)</b>	(305,888)
Share of profits and losses of:			
A jointly-controlled entity		<b>27,323</b>	(5,552)
Associates		<b>99,251</b>	43,417
<b>PROFIT BEFORE TAX</b>	5	<b>3,153,510</b>	1,361,028
Tax	6	<u><b>(822,143)</b></u>	<u>(215,903)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>2,331,367</b></u>	<u>1,145,125</u>
Attributable to:			
Equity holders of the parent		<b>2,261,279</b>	1,111,095
Minority interests		<b>70,088</b>	34,030
		<u><b>2,331,367</b></u>	<u>1,145,125</u>
<b>DIVIDEND</b>	7	<u><b>Nil</b></u>	<u>Nil</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic		<u><b>33.46 cents</b></u>	<u>17.21 cents</u>
Diluted		<u><b>30.88 cents</b></u>	<u>15.55 cents</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
 (Prepared under Hong Kong Financial Reporting Standards)  
 RMB'000

	<i>Notes</i>	As at <b>30 June 2008</b> <b>Unaudited</b>	As at 31 December 2007 Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>41,091,160</b>	41,315,357
Construction in progress		<b>3,390,653</b>	4,021,499
Investment properties		<b>1,206</b>	1,240
Prepaid land premiums		<b>1,555,638</b>	1,516,155
Other intangible asset		<b>122,130</b>	120,822
Investment in a jointly-controlled entity		<b>295,629</b>	268,306
Investments in associates		<b>470,411</b>	414,725
Available-for-sale equity investments		<b>102,917</b>	102,917
Held-to-maturity investments		<b>5,599</b>	5,599
Deferred tax assets		<b>106,177</b>	90,486
		<hr/>	<hr/>
Total non-current assets		<b>47,141,520</b>	47,857,106
<b>CURRENT ASSETS</b>			
Inventories		<b>13,076,721</b>	9,550,481
Construction contracts		<b>127,351</b>	75,688
Trade and bills receivables	8	<b>5,251,444</b>	5,209,674
Prepayments, deposits and other receivables		<b>2,071,631</b>	1,928,496
Equity investments at fair value through profit or loss		<b>1,074</b>	1,463
Pledged deposits		<b>885,189</b>	768,081
Cash and cash equivalents		<b>7,377,011</b>	5,523,876
		<hr/>	<hr/>
Total current assets		<b>28,790,421</b>	23,057,759
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	9	<b>11,739,144</b>	9,472,551
Other payables and accruals		<b>12,111,286</b>	9,742,997
Interest-bearing bank and other borrowings		<b>6,453,903</b>	6,081,841
Tax payable		<b>450,514</b>	111,819
Provisions		<b>29,424</b>	40,546
		<hr/>	<hr/>
Total current liabilities		<b>30,784,271</b>	25,449,754
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		<b>(1,993,850)</b>	(2,391,995)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>45,147,670</b>	45,465,111
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)**

(Prepared under Hong Kong Financial Reporting Standards)

RMB'000

	As at 30 June 2008 Unaudited	As at 31 December 2007 Audited
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>45,147,670</b>	45,465,111
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	14,707,140	16,577,952
Bonds with warrants	4,900,174	4,828,762
Deferred income	560,083	590,426
Provisions	12,485	12,485
Total non-current liabilities	<b>20,179,882</b>	22,009,625
Net assets	<b>24,967,788</b>	<b>23,455,486</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Issued capital	6,758,552	6,758,552
Equity component of bonds with warrants	372,679	372,679
Reserves	17,267,344	14,999,128
Proposed final dividend	–	878,612
	<b>24,398,575</b>	23,008,971
<b>Minority interests</b>	<b>569,213</b>	446,515
Total equity	<b>24,967,788</b>	<b>23,455,486</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Prepared under Hong Kong Financial Reporting Standards)

RMB'000

	Attributable to equity holders of the parent											
	Issued share capital	Capital reserve account	Equity component of bonds with warrants	Statutory reserve	Reserve fund	Enterprise expansion fund	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
At 1 January 2008	6,758,552	5,684,014	372,679	2,837,343	36,642	27,577	9,630	6,403,922	878,612	23,008,971	446,515	23,455,486
Profit for the period	-	-	-	-	-	-	-	2,261,279	-	2,261,279	70,088	2,331,367
Final 2007 dividend declared	-	-	-	-	-	-	-	-	(878,612)	(878,612)	-	(878,612)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(48,584)	(48,584)
Capital contribution by minority shareholders	-	-	-	-	-	-	-	-	-	-	101,194	101,194
Exchange realignment	-	-	-	-	-	-	6,937	-	-	6,937	-	6,937
At 30 June 2008	<u>6,758,552</u>	<u>5,684,014</u>	<u>372,679</u>	<u>2,837,343</u>	<u>36,642</u>	<u>27,577</u>	<u>16,567</u>	<u>8,665,201</u>	<u>-</u>	<u>24,398,575</u>	<u>569,213</u>	<u>24,967,788</u>
At 1 January 2007	6,455,300	4,864,976	585,463	2,595,774	23,047	18,339	-	5,079,683	839,189	20,461,771	310,497	20,772,268
Profit for the period	-	-	-	-	-	-	-	1,111,095	-	1,111,095	34,030	1,145,125
Final 2006 dividend declared	-	-	-	-	-	-	-	-	(839,189)	(839,189)	-	(839,189)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(25,253)	(25,253)
Capital contribution by minority shareholders	-	-	-	-	-	-	-	-	-	-	27,818	27,818
At 30 June 2007	<u>6,455,300</u>	<u>4,864,976</u>	<u>585,463</u>	<u>2,595,774</u>	<u>23,047</u>	<u>18,339</u>	<u>-</u>	<u>6,190,778</u>	<u>-</u>	<u>20,733,677</u>	<u>347,092</u>	<u>21,080,769</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

(Prepared under Hong Kong Financial Reporting Standards)

RMB'000

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>6,537,919</b>	<b>(1,329,560)</b>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(1,707,784)</b>	<b>(3,718,590)</b>
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>(2,961,065)</b>	<b>4,268,981</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,869,070</b>	<b>(779,169)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>5,523,876</b>	<b>3,629,568</b>
<b>Effect of foreign exchange rate changes, net</b>	<b>(15,935)</b>	<b>(10,602)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>7,377,011</u></b>	<b><u>2,839,797</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b><u>7,377,011</u></b>	<b><u>2,839,797</u></b>

## 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 2007 except in relation to the following new 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:

HK (IFRIC) - Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK (IFRIC) - Int 12	Service Concession Arrangements
HK (IFRIC) - Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above new 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					
	2008			2007		
	PRC Unaudited RMB’000	Overseas Unaudited RMB’000	Total Unaudited RMB’000	PRC Unaudited RMB’000	Overseas Unaudited RMB’000	Total Unaudited RMB’000
Segment revenue	<u>35,108,232</u>	<u>1,933,998</u>	<u>37,042,230</u>	<u>18,460,507</u>	<u>2,289,598</u>	<u>20,750,105</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:

	For the six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
	RMB'000	RMB'000
<b>Revenue</b>		
Sale of goods	<u>37,042,230</u>	<u>20,750,105</u>
<b>Other income and gains</b>		
Bank interest income	37,299	20,235
Trading of iron ores	43,376	16,331
Dividend income from an available-for-sale equity investment	104	–
Recognition of deferred income	32,943	25,012
Net rental income	625	625
Foreign exchange gains	159,200	–
Others	<u>31,083</u>	<u>16,259</u>
	<u>304,630</u>	<u>78,462</u>

### 4. FINANCE COSTS

	For the six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
	RMB'000	RMB'000
Interest on bank loans, other loans and bonds with warrants wholly repayable within five years	952,516	668,861
Less: Interest capitalised in construction in progress	<u>–</u>	<u>(362,973)</u>
	<u>952,516</u>	<u>305,888</u>

## 5. PROFIT BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>Unaudited</b>	Unaudited
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of inventories sold ( <i>note i</i> )	<b>32,229,612</b>	18,345,882
Depreciation of property, plant and equipment	<b>2,252,671</b>	1,322,824
Depreciation of investment properties	<b>34</b>	17
Recognition of prepaid land premiums	<b>19,663</b>	18,872
Amortisation of a mine participation right ( <i>note ii</i> )	<b>2,766</b>	2,291
Auditors' remuneration	<b>3,007</b>	3,004
Staff costs:		
Wages and salaries	<b>916,691</b>	793,964
Welfare and benefits	<b>280,222</b>	313,768
Pension scheme contributions	<b>207,929</b>	190,986
	<b>1,404,842</b>	1,298,718
Contingent rents under operating leases in respect of land and buildings	<b>18,125</b>	18,125
Foreign exchange differences:		
Foreign exchange gains, net	<b>(159,200)</b>	(9,457)
Less: Foreign exchange gains capitalised in construction in progress	<b>–</b>	19,320
	<b>(159,200)</b>	9,863
Loss on disposal of items of property, plant and equipment, net	<b>575</b>	94,304
Net rental income	<b>(625)</b>	(625)
Bank interest income	<b>(37,299)</b>	(20,235)
Dividend income from an available-for-sale equity investment	<b>(104)</b>	–
Recognition of deferred income ( <i>note iii</i> )	<b>(32,943)</b>	(25,012)

*Notes:*

- (i) Included in the cost of inventories sold for the six months ended 30 June 2008 is a reversal of provision against inventories of RMB9,795,000 (2007: nil).
- (ii) The amortization of a mine participation right is included in “Cost of sales” on the face of the condensed consolidated income statement.
- (iii) Various government grants have been received for the construction of specific projects and included in deferred income in the 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. TAX**

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>Unaudited</b>	Unaudited
	<b>RMB'000</b>	RMB'000
Group:		
Current – Mainland China	<b>828,317</b>	208,004
Current – Elsewhere	<b>9,517</b>	10,466
Deferred	<b>(15,691)</b>	(2,567)
	<hr/>	<hr/>
Total tax charge for the period	<b><u>822,143</u></b>	<b><u>215,903</u></b>

The income tax for the Company and its subsidiaries in the mainland of the PRC (the “Mainland China”) is calculated at rates ranging from 18% to 25% 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.

Profits tax for a subsidiary in Hong Kong has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

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

The State Administration of Taxation (the “SAT”) issued a tax circular “Enterprise Income Tax Issues relating to Nine Companies Listed Overseas (“Circular No. 664”)” in June 2007 which requested the relevant local tax authorities to rectify, immediately, the expired concessionary tax policy for the nine listed companies authorised by the State Council to issue shares in Hong Kong in 1993 which, at the time of writing, was still being applied. The Circular stated that the difference in corporate income tax (“CIT”) arising from the expired preferential CIT rate and the applicable CIT rate (the “CIT Differences”) should be settled according to the provisions of “Law on the Administration of Tax Collection”.

The Company is one of the nine listed companies mentioned above and applied the preferential CIT rate of 15% in prior years. Having understood the above, the Company thoroughly communicated with the relevant tax authority and was informed by the relevant tax authority that the Company applies the CIT tax rate of 33% for 2007. The Company has not been requested to pay the CIT Differences in respect of any prior years.

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

## 7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2008 (2007: Nil).

## 8. TRADE AND BILLS RECEIVABLES

	<b>As at 30 June 2008 Unaudited RMB'000</b>	<b>As at 31 December 2007 Audited RMB'000</b>
Trade receivables	<b>881,569</b>	1,032,731
Bills receivable	<b>4,387,834</b>	4,194,298
	<b>5,269,403</b>	5,227,029
Impairment	<b>(17,959)</b>	(17,355)
	<b><u>5,251,444</u></b>	<b><u>5,209,674</u></b>

The Group’s credit periods offered to selected customers are generally 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group’s trade receivables relate to a few major customers and there is a concentration of credit risk with a maximum exposure equal to the carrying amounts of the trade receivables. Trade receivables are non-interest-bearing.

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

	<b>As at 30 June 2008 Unaudited RMB'000</b>	As at 31 December 2007 Audited RMB'000
Trade receivables:		
Within three months	707,723	946,862
Four to six months	82,904	12,770
Seven to twelve months	62,157	41,895
One to two years	9,448	12,852
Two to three years	1,289	539
Over 3 years	89	458
	<hr/>	<hr/>
	<b>863,610</b>	1,015,376
Bills receivable	<hr/> <b>4,387,834</b> <hr/>	<hr/> 4,194,298 <hr/>
	<hr/> <b>5,251,444</b> <hr/>	<hr/> <b>5,209,674</b> <hr/>

Bills receivable will mature within one year.

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

	<b>For the six months ended 30 June 2008 Unaudited RMB'000</b>	2007 Unaudited RMB'000
Opening balance	17,355	40,939
Amount received after written off	604	4,302
	<hr/>	<hr/>
Closing balance	<hr/> <b>17,959</b> <hr/>	<hr/> <b>45,241</b> <hr/>

The above provision for impairment of the Group's trade and bills receivables is a provision for individually impaired trade receivables, with a carrying amount of RMB80,044,000 (31 December 2007: RMB70,390,000). The individually impaired trade receivables relate to customers that were in financial difficulties or the customers were in default or delinquency in principal payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	<b>As at 30 June 2008 Unaudited RMB'000</b>	As at 31 December 2007 Audited RMB'000
Neither overdue nor impaired	<b>5,190,365</b>	5,156,639
Overdue less than six months	<b>23,588</b>	52,100
Overdue over six months	<b>37,491</b>	935
	<b><u>5,251,444</u></b>	<b><u>5,209,674</u></b>

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

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

Included in the Group's trade and bills receivables are amounts due from Holding and its subsidiaries, the Group's jointly-controlled entity and associates of RMB4,533,000 (31 December 2007: RMB9,773,000), RMB36,318,000 (31 December 2007: RMB19,405,000) and RMB540,000 (31 December 2007: nil), respectively. 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 30 June 2008 Unaudited RMB'000</b>	As at 31 December 2007 Audited RMB'000
Within one year	<b>11,630,939</b>	9,111,984
One to two years	<b>54,810</b>	353,317
Two to three years	<b>46,666</b>	5,911
Over three years	<b>6,729</b>	1,339
	<b><u>11,739,144</u></b>	<b><u>9,472,551</u></b>

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

Included in the Group's trade payables are amounts due to Holding and its subsidiaries, and the Group's jointly-controlled entity and associates of RMB42,074,000 (31 December 2007: RMB94,997,000), RMB19,192,000 (31 December 2007: RMB54,513,000), and RMB13,335,000 (31 December 2007: RMB146,457,000), respectively. Such balances principally arose from normal trading activities.

## 10. BUSINESS COMBINATIONS

On 4 May 2008, Anhui Masteel Holly Industrial Co., Ltd. (“Holly Industrial”), a subsidiary of the Company, acquired a 75% of equity interests in 安徽馬鋼立體智能停車設備有限公司, 25% owned associate of the Group, (“Masteel Auto-Parking”) from Holding at a cash consideration of RMB15,677,600. Masteel Auto-Parking is mainly engaged in manufacture and sale of parking equipment in the Mainland China.

The fair values of the identifiable assets and liabilities as at the date of the combination were as follow:

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

An analysis of the net inflow of cash and cash equivalents in respect of the aforesaid combination is as follows:

	RMB'000
Cash payment ( <i>note</i> )	–
Cash and cash equivalents acquired	1,580
	<hr/>
Net inflow of cash and cash equivalents in respect of the aforesaid combination	1,580
	<hr/> <hr/>

*Note:* The cash consideration for the combination has not yet been paid and has been included in other payables as at 30 June 2008.

Masteel Auto-Parking’s contributions to the Group’s consolidated revenue and consolidated profit attributable to equity holders of the parent for the six months ended 30 June 2007 were not significant.

Had the aforesaid combination taken place at the beginning of the year 2008 the Group's consolidated revenue and consolidated profit attributable to equity holders of the parent would have been RMB37,042 million and RMB2,261 million for the six months ended 30 June 2008.

## **11. CONTINGENT LIABILITIES**

- (a) As at 30 June 2008, the Company had granted guarantees amounting to approximately RMB5,014 million (31 December 2007: approximately RMB5,305 million) to banks in connection with facilities granted to its subsidiaries. On that date, such banking facilities were utilised to the extent RMB1,102,247,000 (31 December 2007: RMB814,495,000)
  
- (b) As detailed in note 6 to the financial statements, the Group has potential risk on CIT in prior years. The directors of the Company, at this stage, consider that it is uncertain whether the relevant tax authority will claim the CIT Differences from the Company in respect of any prior years and could not reliably estimate the eventual outcome of this matter. Consequently, no provision has been made in these financial statements for the CIT Differences and the related tax concessions, deferred tax, penalty and interest (if applicable).



**BALANCE SHEET**

(Prepared under PRC accounting standards)

Renminbi Yuan

ASSETS	30 June 2008		31 December 2007	
	Group Unaudited	Company Unaudited	Group Audited <i>(restated)</i>	Company Audited
<b>CURRENT ASSETS:</b>				
Cash and balances with financial institutions	8,262,200,058	5,240,700,396	6,293,537,191	3,665,369,814
Financial assets held for trading	1,073,460	1,073,460	1,462,770	1,462,770
Bills receivable	4,387,834,189	3,646,660,638	4,194,297,474	3,667,209,079
Trade receivables	863,610,003	1,405,820,855	1,037,224,713	1,554,054,832
Prepayments	1,601,526,942	1,475,550,183	1,672,835,435	1,576,389,197
Dividends receivables	–	12,456,100	–	–
Other receivables	470,104,020	27,791,648	257,539,176	63,496,847
Inventories	13,204,072,064	11,273,920,031	9,629,944,412	8,314,475,335
Total current assets	<u>28,790,420,736</u>	<u>23,083,973,311</u>	<u>23,086,841,171</u>	<u>18,842,457,874</u>
<b>NON-CURRENT ASSETS:</b>				
Held-to-maturity investments	5,598,870	5,598,870	5,598,870	5,598,870
Long term equity investments	868,957,576	1,975,682,275	781,448,790	1,667,922,886
Investment properties	1,205,850	18,994,431	1,240,303	19,214,182
Fixed assets	41,091,160,173	39,413,107,459	41,328,227,114	39,741,473,656
Construction materials	394,254,366	338,016,160	512,588,681	432,590,795
Construction in progress	2,996,398,190	2,768,623,515	3,510,765,654	3,360,315,305
Intangible assets	1,677,767,700	1,239,471,942	1,640,550,796	1,214,768,182
Deferred tax assets	256,313,328	255,876,059	258,762,170	258,324,901
Total non-current assets	<u>47,291,656,053</u>	<u>46,015,370,711</u>	<u>48,039,182,378</u>	<u>46,700,208,777</u>
<b>TOTAL ASSETS</b>	<u><b>76,082,076,789</b></u>	<u><b>69,099,344,022</b></u>	<u><b>71,126,023,549</b></u>	<u><b>65,542,666,651</b></u>

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

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>30 June 2008</b>		<b>31 December 2007</b>	
	<b>Group Unaudited</b>	<b>Company Unaudited</b>	<b>Group Audited <i>(restated)</i></b>	<b>Company Audited</b>
<b>CURRENT LIABILITIES:</b>				
Short term loans	2,481,977,337	1,104,730,288	1,284,495,217	200,000,000
Bills payable	2,162,679,018	–	1,790,845,160	63,000,000
Short term commercial papers	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Accounts payable	9,576,464,979	8,867,426,927	7,688,764,859	7,633,708,228
Deposits received	8,413,414,559	7,058,899,402	6,633,408,854	5,456,620,794
Payroll and benefits payable	248,333,391	183,641,658	341,871,394	297,925,673
Taxes payable	1,190,756,667	1,155,510,229	609,863,471	529,786,745
Interests payable	132,950,660	132,671,801	80,563,315	80,432,389
Dividends payable	1,685,729,586	1,682,446,686	1,303,757,138	1,303,757,138
Other payables	920,039,339	832,245,163	933,429,649	730,183,167
Non-current liabilities due within one year	<u>1,971,926,119</u>	<u>1,964,304,444</u>	<u>2,817,346,333</u>	<u>2,809,660,000</u>
Total current liabilities	<u>30,784,271,655</u>	<u>24,981,876,598</u>	<u>25,484,345,390</u>	<u>21,105,074,134</u>
<b>NON-CURRENT LIABILITIES:</b>				
Long term loans	14,707,140,027	14,693,045,161	16,577,951,605	16,563,408,200
Bonds payable	4,900,174,072	4,900,174,072	4,828,761,588	4,828,761,588
Deferred income	560,082,881	560,082,881	590,425,767	590,425,767
Deferred tax liabilities	150,136,449	150,136,449	168,275,911	167,989,571
Other non-current liabilities	<u>12,485,032</u>	<u>12,485,033</u>	<u>12,485,032</u>	<u>12,485,033</u>
Total non-current liabilities	<u>20,330,018,461</u>	<u>20,315,923,596</u>	<u>22,177,899,903</u>	<u>22,163,070,159</u>
Total liabilities	<u>51,114,290,116</u>	<u>45,297,800,194</u>	<u>47,662,245,293</u>	<u>43,268,144,293</u>
<b>SHAREHOLDERS' EQUITY:</b>				
Share capital	6,758,551,716	6,758,551,716	6,758,551,716	6,758,551,716
Capital reserve	6,056,692,904	6,056,692,904	6,056,692,904	6,056,692,904
Surplus reserves	2,901,562,765	2,777,851,769	2,901,562,765	2,777,851,769
Retained profits	8,665,200,050	8,208,447,439	7,290,826,476	6,681,425,969
including: cash dividend proposed by directors	–	–	878,611,723	878,611,723
Exchange fluctuation reserve	<u>16,566,734</u>	–	<u>9,629,706</u>	–
Equity attributable to equity holders of the parent	<u>24,398,574,169</u>	<u>23,801,543,828</u>	<u>23,017,263,567</u>	<u>22,274,522,358</u>
Minority interests	<u>569,212,504</u>	–	<u>446,514,689</u>	–
Total shareholder's equity	<u>24,967,786,673</u>	<u>23,801,543,828</u>	<u>23,463,778,256</u>	<u>22,274,522,358</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>76,082,076,789</u></u>	<u><u>69,099,344,022</u></u>	<u><u>71,126,023,549</u></u>	<u><u>65,542,666,651</u></u>

## INCOME STATEMENT

(Prepared under China Accounting Standards)

Renminbi Yuan

	For the six months ended 30 June 2008		For the six months ended 30 June 2007	
	Group Unaudited	Company Unaudited	Group Unaudited (restated)	Company Unaudited (restated)
Revenue	37,724,831,378	40,879,352,914	21,032,815,585	21,538,496,170
Less: Cost of sales	32,847,608,925	36,359,061,217	18,598,005,494	19,439,198,630
Taxes and surcharges	435,903,573	417,783,025	168,118,163	154,655,370
Selling expenses	171,013,705	162,120,186	124,390,324	116,552,176
Administrative expenses	507,235,769	381,733,047	443,883,144	361,645,382
Financial expenses	772,907,568	650,798,118	307,842,394	274,518,431
Assets impairment losses/(reversal)	(9,795,364)	(9,795,364)	–	–
Add: Gain/(loss) on fair value changes)	(772,870)	(772,870)	–	–
Investment income	126,768,138	237,981,083	37,865,269	93,249,998
including: share of profits of associates and a jointly controlled entity	126,574,628	128,031,350	37,865,269	38,159,847
Operating profit	3,125,952,470	3,154,860,898	1,428,441,335	1,285,176,179
Add: Non-operating income	34,309,792	33,629,886	29,276,168	26,170,578
Less: Non-operating expenses	6,752,254	4,784,021	96,689,524	96,015,028
including: loss on disposal of non-current assets	575,278	(289,400)	94,304,468	94,295,000
Profit before tax	3,153,510,008	3,183,706,763	1,361,027,979	1,215,331,729
Less: Income tax	822,143,276	778,073,570	215,902,529	170,573,258
Net profit	2,331,366,732	2,405,633,193	1,145,125,450	1,044,758,471
including: Net profit from the entity being combined prior to the business combination involving entities under common control	–	–	–	–
Attributable to Equity holders of the parent	2,261,278,381	2,405,633,193	1,111,094,947	1,044,758,471
Minority interests	70,088,351	–	34,030,503	–
<b>EARNINGS PER SHARE:</b>				
Basic	33.46 cents	35.59 cents	17.21 cents	16.18 cents
Diluted	30.88 cents	32.85 cents	15.55 cents	14.62 cents

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Prepared under China Accounting Standards)

Renminbi Yuan

30 June 2008

	Attributable to equity holders of the parent					Sub-total	Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Surplus reserves	Retained profits	Exchange fluctuation reserve			
1. At 1 January 2008	6,758,551,716	6,056,692,904	2,901,562,765	7,282,533,393	9,629,706	23,008,970,484	446,514,689	23,455,485,173
Adjustment on business combination under common control	-	-	-	8,293,083	-	8,293,083	-	8,293,083
At 1 January 2008 (restated)	6,758,551,716	6,056,692,904	2,901,562,765	7,290,826,476	9,629,706	23,017,263,567	446,514,689	23,463,778,256
2. Increase/(decrease) during the period								
1) Net profit	-	-	-	2,261,278,380	-	2,261,278,380	70,088,351	2,331,366,731
2) Gains or losses recognised in equity								
1. Exchange fluctuation reserve	-	-	-	-	6,937,028	6,937,028	-	6,937,028
2. Adjustment on business combination under common control	-	-	-	(8,293,083)	-	(8,293,083)	-	(8,293,083)
Sub-total	-	-	-	2,252,985,297	6,937,028	2,259,922,325	70,088,351	2,330,010,676
3) Capital contribution and withdrawal by shareholders								
1. Capital contribution by shareholders	-	-	-	-	-	-	101,194,034	101,194,034
4) Profits appropriation								
1. Transfer to surplus reserves	-	-	-	-	-	-	-	-
2. Dividend declared	-	-	-	(878,611,723)	-	(878,611,723)	(48,584,570)	(927,196,293)
5) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
3. At 30 June 2008	<u>6,758,551,716</u>	<u>6,056,692,904</u>	<u>2,901,562,765</u>	<u>8,665,200,050</u>	<u>16,566,734</u>	<u>24,398,574,169</u>	<u>569,212,504</u>	<u>24,967,786,673</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(Prepared under China Accounting Standards)

Renminbi Yuan

30 June 2007 (restated)

	Attributable to equity holders of the parent					Sub-total	Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Surplus reserves	Retained profits	Exchange fluctuation reserve			
1. At 1 January 2007	6,455,300,000	5,450,438,794	2,637,160,200	5,918,872,526	-	20,461,771,520	310,497,169	20,772,268,689
Adjustment on business combination under common control	-	-	-	8,293,083	-	8,293,083	-	8,293,083
At 1 January 2007 (restated)	6,455,300,000	5,450,438,794	2,637,160,200	5,927,165,609	-	20,470,064,603	310,497,169	20,780,561,772
2. Increase/(decrease) during the period								
1) Net profit	-	-	-	1,111,094,947	-	1,111,094,947	34,030,503	1,145,125,450
2) Gains or losses recognised in equity	-	-	-	-	-	-	-	-
Sub-total	-	-	-	1,111,094,947	-	1,111,094,947	34,030,503	1,145,125,450
3) Capital contribution and withdrawal by shareholders								
1. Capital contribution by shareholders	-	-	-	-	-	-	27,818,021	27,818,021
4) Profits appropriation								
1. Transfer to surplus reserves	-	-	-	-	-	-	-	-
2. Dividend declared	-	-	-	(839,189,000)	-	(839,189,000)	(25,253,333)	(864,442,333)
5) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
3. At 30 June 2007	<u>6,455,300,000</u>	<u>5,450,438,794</u>	<u>2,637,160,200</u>	<u>6,199,071,556</u>	<u>-</u>	<u>20,741,970,550</u>	<u>347,092,360</u>	<u>21,089,062,910</u>