



馬 鞍 山 鋼 鐵 股 份 有 限 公 司

Maanshan Iron & Steel Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 323)

PRICE-SENSITIVE INFORMATION SUMMARY OF 2008 INTERIM RESULTS ANNOUNCEMENT

Reference is made to the announcement of Summary of 2008 Interim Results Announcement of Maanshan Iron & Steel Company Limited dated 14 August 2008 (the "Announcement"). Other than adding the section of "Management Discussion and Analysis" in this announcement, there is no change on other information, including financial figures, contained in this announcement as compared to the 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
	Secretary to the Board of Directors	Representative for Securities Affairs
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
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)

			<i>Unit: RMB'000</i>
	As at the end of the reporting period	As at the end of the previous year	Increase/ (decrease) of the end of the reporting period as compared to the end of the previous year (%)
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
	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	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. MANAGEMENT DISCUSSION AND ANALYSIS

4.1 The macro environment for production operation

In the first half of 2008, prices of primary products in the international market continued to rise. The US subprime mortgage crisis had not subsided and the global economic growth saw a slight decline. The demand in the international steel product market remained strong with rising costs and continuously surging steel product prices. After successively surmounting the threats posed by enormous natural disasters such as snowstorms and earthquakes, the PRC's GDP recorded a growth of 10.4% year-on-year in the first six months, representing a decline of 1.8 percentage-points over the corresponding period of the previous year. The national economy developed in the designated direction set by the macro-economic control measures with a slowing pace of growth in industrial production and improvement in investment mix of fixed assets. The total retail sales of consumer goods of the society at-large experienced an accelerating pace of growth and the driving effect of consumptions on economic growth had become more obvious. The iron and steel industry was affected by the control measures of the government, with export in steel products falling and growth in iron and steel production slowing. The steel product market saw a strained demand and supply relationship amid rising costs and continuous soaring steel product prices.

The fluctuations in the quarter-on-quarter growth of the monthly consolidated price index for steel products in the domestic market became obvious. The growth was less than 1% in January while it exceeded 7% in February and May. The pace of growth slowed down in March and April, followed by a further slowdown in June. In the first half, the domestic average consolidated price index for steel products in the domestic market stood at 144.77 points, up 30.92% year-on-year.

Compared to the end of the previous year, at the end of June the domestic price index for long products recorded an aggregated increase of 24.31% while that for steel plates posted an aggregated increase of 28.55%. During the corresponding period of the previous year, the domestic price indices for long products and steel plates saw respective year-on-year rises of 51.42% and 24.67% in average in the first half. The growth of the price index for long products was 26.75 percentage-points higher than that for steel plates, which was mainly due to a robust domestic demand for steel products and the tightened supply of long products compared to steel plates.

On the costs front, external purchase prices for raw materials and fuel as well as transportation costs for iron and steel enterprises continued to rise during the first half, leading to a significant increase in the production costs of iron and steel. In the first half, the prices of injection coal purchased by large to medium domestic iron and steel production enterprises rose 36.85%; coking coal prices increased by 61.63%; coke prices soared 81.8%; and imported iron ore prices was up 53.86%.

4.2 The Company's production operation

In the first half of 2008, the Company captured the market opportunities brought by rising steel product prices. It adhered to the working principle of "Swiftly changing the development mode; Significantly enhancing operating effectiveness" with a view to refining measures, reinforcing implementation, adhering to system enhancement and ensuring operational efficiency. As a result, the Company achieved good production and operating results.

In the first half, our work mainly included:

- **Unleashed the production capacity of the New Area.** In the first half, the Company focused on raising the production output at the New Area and realising growth in profits as soon as practical, while strengthening the basic management of facilities and enhancing the operation skills of staff. From January to June, the New Area produced 2,940,000 tonnes of pig iron, 2,150,000 tonnes of crude steel and 1,980,000 tonnes of steel products, of which hot-rolled products amounted to approximately 1,550,000 tonnes, cold-rolled products amounted to approximately 300,000 tonnes and hot galvanised products amounted to approximately 130,000 tonnes. The New Area realised a sales revenue of approximately RMB9,954 million. During the reporting period, the Group produced 7,140,000 tonnes of pig iron, 7,950,000 tonnes of crude steel and 7,350,000 tonnes of steel products, representing year-on-year increases of 29.11%, 28.23% and 28.72%, respectively. Among these, the Company produced 6,410,000 tonnes of pig iron, 7,070,000 tonnes of crude steel and 6,510,000 tonnes of steel products, representing year-on-year increases of 28.71%, 27.85% and 28.15%, respectively.
- **Enhanced the system, pushed ahead economic operation, and increased the Company's integrated profitability.** The Company conducted a whole-process evaluation on the monthly production operation plan according to the principle of “ensuring output outweighs input”. The Company enhanced resources allocation and concentrated its resources on developing high value-added products as well as increasing the output of products with higher profitability per tonne of steel.
- **Stepped up efforts in technical development and expanded the Company's leading products with an aim to consolidate the brand.** The Company capitalised on the advantages of the equipment in the New Area, through launching projects on scientific research and development and technological breakthroughs, the Company strengthened the integration of research-production-sales. The research and development and production of category steel products had great accomplishments. The Company developed a series of hot-rolled and cold-rolled products such as pipeline steels, plates for vessels, steel for automobile chassis, DC06 deep-drawing plate for automobile and stable corten steel. High-class quality pipeline steels such as X80 and X70 had been recognised by end-users. Pipeline projects such as the West-East Pipeline Project and the Central Asian Natural Gas Pipeline obtained contracted quantities, of which X70 products were exported in contracted quantities to countries such as India. The European Union CE certification was obtained for H-shaped steel products and the pass for free trading in all European Union markets was also obtained.
- **Set prices competitive to market, enhanced per tonne profitability, and ensured a timely recovery of funds.** The Company strived to fully utilise the processing and distribution centres in various areas through enhancing the quality of orders, closely following the pricing in the market, raising the fulfillment rate of contracts, and boosting sales of high value-added products, with a view to maximising the profitability of product sales. During the reporting period, the Group sold 7,320,000 tonnes of steel products, of which 3,490,000 tonnes of steel plates were sold, a year-on-year increase of 78.06%; 1,300,000 tonnes of section steels were sold, a year-on-year decrease of 2.99%; 2,390,000 tonnes of wire rods were sold, a year-on-year increase of 5.75%; 140,000 tonnes of train wheels and wheel rims were sold, a year-on-year increase of 16.67%. The production-and-sales ratio of steel products was 100% and receivable recovery ratio was 100%.

- **Accelerated the construction of key projects.** In the first half, the silicon steel line was completed and commenced operation. The Company's key projects such as phase II of the train wheel rolling system, the Lufenhe sewage treatment project and the large-scale forged backup rolling line of Magang-Union Electric Steel Roll Co., Ltd., a controlling subsidiary, proceeded steadily as scheduled.
- **Identified the target for energy conservation and emissions reduction and conducted on-site inspection and evaluation on environmental protection and pollutants discharge facilities.** The Company compiled an annual working plan for energy conservation and emissions reduction and identified its overall benchmarks, consumption targets of all procedures and residual heat and power utilisation benchmarks. Besides, the Company conducted an overall evaluation on the progress of fulfilling environmental protection objectives while ensuring the normal operation of the environmental protection facilities in the New Area and the Old Area. Meanwhile, the Company also installed an online monitoring facility for the sources of sewage and exhaust gas while applying for State-graded environment-friendly enterprise and the approval of clean production. In the first half, the consolidated energy consumption per tonne of steel was 630 kg of standard coal, representing a decrease of 24 kg over the corresponding period of the previous year. Consumption of fresh water per tonne of steel was 7.4 m³, representing a drop of 0.77 m³ year-on-year. Self-generated power supply accounted for 57.92% of total power consumption.

4.3 Results of the Group's principal operating activities for the reporting period prepared under PRC Accounting Standards

- Operating income amounted to RMB37,725 million, up 79.36% year-on-year. Operating profit was RMB3,126 million, up 118.84% year-on-year. Net profit attributable to shareholders of the Company was RMB2,261 million, up 103.52% year-on-year. This was mainly attributable to the rise in sales prices and sales volumes of the Company's steel products during the reporting period.

It should be noted that the pricing basis of the iron ores supplied by Holding to the Company was that the price should not exceed the weighted average ex factory prices of the top three independent suppliers supplying the largest amounts of iron ore to the Company during the previous year. Prices of imported iron ore saw a significant increase during this year and thus, in the first half, the iron ore supply from Holding had considerable positive impact on the Company's cost reduction and profit gain in the first half.

4.4 Financial position and exchange risks

As at 30 June 2008, the total amount of loans borrowed by the Group was RMB21,112 million, including loans for working capital of RMB4,482 million and construction loans of RMB16,630 million. Except for foreign currency loans amounting to US\$659 million, all other loans were denominated in RMB. Except for a loan of RMB9,074 million carrying interests at the People's Bank of China benchmark lending rates minus 10%, and a loan of US\$508 million carrying interests at a LIBOR plus a fixed percentage, all other loans carried interests calculated at fixed interest rates. Movements of the Group's entire loans followed the developments in production and construction projects. No overdue payments have been recorded so far.

As at 30 June 2008, in accordance with the PRC Accounting Standards, the Group's gearing ratio (total liabilities/total assets) stood at 67.18%. Under the Hong Kong Accounting Standards, the Group's gearing ratio (total liabilities/total assets) stood at 67.18%.

Presently, other than internal resources, all capital requirements for the construction of the Company's development projects under the Eleventh Five-year Plan were financed through bank loans. As at the end of the reporting period, bank commitments to provide credit facilities to the Group amounted to approximately RMB29,853 million.

As at 30 June 2008, the Group's cash and balances with financial institutions amounted to RMB8,262 million. Bills receivable amounted to RMB4,388 million (of which bank bills receivable due within three months amounted to RMB2,758 million). Deposits received for the coming month constituted a substantial part of the cash and balances with financial institutions and bank acceptance bills.

The Group's import of raw materials was mainly settled in US dollar, while import of equipment and spare parts was settled in Euro or Japanese Yen, and export of products was settled in US dollar. Given that the US dollar to RMB exchange rate continued to depreciate during the reporting period, an exchange gain was resulted from the Company's US dollar-denominated debts. Moreover, since the total amount of payments denominated in US dollar on imported iron ore of the Company is larger than that of income from export, the appreciation of RMB exchange rate is favourable to the Company. During the reporting period, due to the completion of the Company's preliminary construction works under the Eleventh Five-Year Plan, the payments denominated in Euro and Japanese Yen were less than those denominated in US dollar and the impact was not obvious. The Company has been maintaining contacts with various banks to obtain information of emerging financial products that are continuously introduced by them, so as to select products which are suitable for the Company to help the Company avoid possible exchange rate risks.

4.5 The environment for production operation and coping strategies

It is expected that the global economic growth will continue to slow in the second half, and that the condition characterised by insufficient supply and continuously rising steel product prices in the international steel market may change. The PRC will continue to prioritise its control measures on maintaining steady and fast economic development and curbing the excessive growth of consumption prices. It will use a combination of policies to maintain steadily fast economic growth and tame inflation at the same time. It is expected that in the second half of 2008, the national economy will maintain healthy development with a dip in prices in the steel product market. Meanwhile, coal prices will still increase in the second half given the surge in raw material and fuel prices such as iron ores and coal in the first half. Thus, the production costs of steel products will continue to rise in the second half, leading to obvious mounting pressure on the operation of the Company as compared to the first half.

Facing the afore-mentioned environment of production operation, in the second half, the Company will continue to abide by the principle of "Swiftly changing the development mode; Significantly enhancing operating effectiveness" and adhere to its designated directions with an emphasis on balanced production, raising product quality and boosting the profitability of the New Area. In addition, the Company will endeavour to achieve impressive operating results with operational efficiency being the objective of all work.

4.6 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
Product segment						
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.

4.7 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

4.8 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.

4.9 Use of fundraising proceeds

4.9.1 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
Total	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

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

18 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

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

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

	<i>Notes</i>	As at 30 June 2008 Unaudited	As at 31 December 2007 Audited
NON-CURRENT ASSETS			
Property, plant and equipment		41,091,160	41,315,357
Construction in progress		3,390,653	4,021,499
Investment properties		1,206	1,240
Prepaid land premiums		1,555,638	1,516,155
Other intangible asset		122,130	120,822
Investment in a jointly-controlled entity		295,629	268,306
Investments in associates		470,411	414,725
Available-for-sale equity investments		102,917	102,917
Held-to-maturity investments		5,599	5,599
Deferred tax assets		106,177	90,486
		<hr/>	<hr/>
Total non-current assets		47,141,520	47,857,106
CURRENT ASSETS			
Inventories		13,076,721	9,550,481
Construction contracts		127,351	75,688
Trade and bills receivables	8	5,251,444	5,209,674
Prepayments, deposits and other receivables		2,071,631	1,928,496
Equity investments at fair value through profit or loss		1,074	1,463
Pledged deposits		885,189	768,081
Cash and cash equivalents		7,377,011	5,523,876
		<hr/>	<hr/>
Total current assets		28,790,421	23,057,759
CURRENT LIABILITIES			
Trade and bills payables	9	11,739,144	9,472,551
Other payables and accruals		12,111,286	9,742,997
Interest-bearing bank and other borrowings		6,453,903	6,081,841
Tax payable		450,514	111,819
Provisions		29,424	40,546
		<hr/>	<hr/>
Total current liabilities		30,784,271	25,449,754
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(1,993,850)	(2,391,995)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		45,147,670	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
TOTAL ASSETS LESS CURRENT LIABILITIES	45,147,670	45,465,111
NON-CURRENT LIABILITIES		
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	20,179,882	22,009,625
Net assets	24,967,788	23,455,486
EQUITY		
Equity attributable to equity holders of the parent		
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
	24,398,575	23,008,971
Minority interests	569,213	446,515
Total equity	24,967,788	23,455,486

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

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

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 RMB'000	Unaudited RMB'000
Revenue		
Sale of goods	<u>37,042,230</u>	<u>20,750,105</u>
Other income and gains		
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 RMB'000	Unaudited 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):

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

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

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

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

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

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

	As at 30 June 2008 Unaudited RMB'000	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/>
	863,610	1,015,376
Bills receivable	<hr/> 4,387,834	<hr/> 4,194,298
	<hr/> 5,251,444	<hr/> 5,209,674

Bills receivable will mature within one year.

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

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

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:

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

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:

	As at 30 June 2008 Unaudited RMB'000	As at 31 December 2007 Audited RMB'000
Within one year	11,630,939	9,111,984
One to two years	54,810	353,317
Two to three years	46,666	5,911
Over three years	6,729	1,339
	<u>11,739,144</u>	<u>9,472,551</u>

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
CURRENT ASSETS:				
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>
NON-CURRENT ASSETS:				
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>
TOTAL ASSETS	<u>76,082,076,789</u>	<u>69,099,344,022</u>	<u>71,126,023,549</u>	<u>65,542,666,651</u>

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

LIABILITIES AND SHAREHOLDERS' EQUITY	30 June 2008		31 December 2007	
	Group Unaudited	Company Unaudited	Group Audited (restated)	Company Audited
CURRENT LIABILITIES:				
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>
NON-CURRENT LIABILITIES:				
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>
SHAREHOLDERS' EQUITY:				
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>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<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	–
EARNINGS PER SHARE:				
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>