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 with limited liability)*

**(Stock Code: 323)**

# SUMMARY OF 2006 INTERIM RESULTS ANNOUNCEMENT

## 1. IMPORTANT

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

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

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

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

## 2. COMPANY INFORMATION

### 2.1 Company profile

| | | |
|---|---|---|
| Stock name | **G Ma Steel** | **Maanshan Iron & Steel** |
| Stock code | 600808 | 323 |
| Place of listing | Shanghai Stock Exchange | The Stock Exchange of Hong Kong Limited |
| | **Secretary to the Board of Directors** | **Representative for securities affairs** |
| Name | Su Jiangang | Hu Shunliang |
| Correspondence address | No.8 Hong Qi Zhong Road, Maanshan City, Anhui Province, the PRC | No.8 Hong Qi Zhong Road, Maanshan City, Anhui Province, the PRC |
| Telephone | 86-555-2888158 | 86-555-2888158 |
| Fax | 86-555-2887284 | 86-555-2887284 |
| Email address | mggfdms@magang.com.cn | mggfdms@magang.com.cn |

### 2.2 Major financial data and indicators

*2.2.1 Major accounting data and financial indicators (Prepared under PRC Accounting Standards)*

*UNIT: RMB*

| | **As at the end of this period** | **As at the end of the previous year** | **Increase/(decrease) of this reporting period as compared to the beginning of the year** *(%)* |
|---|---|---|---|
| Current assets ('000) | 14,026,840 | 11,240,324 | 24.79 |
| Current liabilities ('000) | 15,366,798 | 10,780,473 | 42.54 |
| Total assets ('000) | 47,760,248 | 38,878,377 | 22.85 |
| Shareholders' funds (excluding minority interests) ('000) | 18,920,640 | 18,881,716 | 0.21 |
| Net assets per share (RMB) | 2.93 | 2.92 | 0.34 |
| Adjusted net assets per share (RMB) | 2.93 | 2.92 | 0.34 |

| | Reporting period (January to June) | Corresponding period of the previous year | Increase/(decrease) of this reporting period as compared to the corresponding period of the previous year *(%)* |
|---|---|---|---|
| Net profit ('000) | 1,071,772 | 2,103,310 | -49.04 |
| Net profit excluding non-recurring gains or losses ('000) | 1,054,958 | 2,103,123 | -49.84 |
| Earnings per share (RMB) | 0.1660 | 0.3258 | -49.05 |
| Return on net assets (%) | 5.665 | 11.608 | a decrease of 5.943 percentage points |
| Net cash flows from operating activities ('000) | 2,224,234 | 3,745,590 | -40.62 |

2.2.2 *Non-recurring gains or losses*

(Prepared under PRC Accounting Standards)

*UNIT:RMB'000*

| Non-recurring gains or losses | Amounts |
|---|---|
| Net gain on disposal of fixed assets | 1,677 |
| Other non-operating income and expenses | (751) |
| Reversal of the impairment provisions which had been provided in the past years | 17,676 |
| Income tax effect | (1,788) |
| Total | 16,814 |

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

*UNIT: RMB'000*

| | PRC Accounting Standards | Hong Kong Accounting Standards |
|---|---|---|
| Net profit | 1,071,772 | 1,090,020 |
| Description of differences | Net profit under Hong Kong Accounting Standards | 1,090,020 |
| | Add: Deferred tax expense | 6,628 |
| | Less: Recognition of deferred income | (24,876) |
| | Net profit under PRC Accounting Standards | 1,071,772 |

## 3. MOVEMENTS IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

### 3.1 Shareholding of the 10 largest shareholders and the 10 largest holders of circulating shares

| | |
|---|---|
| Total number of shareholders | The Company had a total of 158,319 shareholders, including 151,441 A-share holders and 6,878 H-share holders at the end of the reporting period. |

**Shareholding of the 10 largest shareholders**

| Name of shareholder | Type of shareholder | As a percentage to number of shares held (%) | Number of shares held | Number of Shares held subject to selling restrictions | Number of pledged or frozen shares |
|---|---|---|---|---|---|
| Magang (Group) Holding Company Limited | State-owned shareholder | 60.08 | 3,878,330,000 | 3,878,330,000 | 0 |
| HKSCC (Nominees) Limited | Foreign shareholder | 25.44 | 1,642,330,997 | 0 | unknown |
| HSBC (Nominees) Limited | Foreign shareholder | 0.47 | 30,596,000 | 0 | unknown |
| China Life Insurance Company Limited –分紅 –個人分紅 – 005L - FH002滬 | Others | 0.23 | 14,999,999 | 0 | unknown |
| Hong Yang Securities Investment Fund | Others | 0.20 | 12,889,907 | 0 | unknown |
| Shanghai Quan Long Shiye Company Limited | Others | 0.15 | 9,800,000 | 9,800,000 | unknown |
| Chen Lian Zhou | Others | 0.13 | 8,511,994 | 0 | unknown |
| CICC-Standard Chartered-Citigroup Global Markets Limited | Foreign shareholder | 0.11 | 7,318,578 | 0 | unknown |
| Shanghai Baosteel Group Corporation | Others | 0.09 | 5,600,000 | 0 | unknown |
| State Social Welfare Fund No. 002 | Others | 0.08 | 5,324,638 | 0 | unknown |

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

| Name of shareholder | Number of shares held not subject to selling restrictions | Type of shares |
|---|---|---|
| HKSCC (Nominees) Limited | 1,642,330,997 | Overseas listed foreign shares |
| HSBC (Nominees) Limited | 30,596,000 | Overseas listed foreign shares |
| China Life Insurance Company Limited –分紅 –個人分紅 – 005L - FH002滬 | 14,999,999 | RMB-denominated ordinary shares |

| | | |
|---|---|---|
| Hong Yang Securities Investment Fund | 12,889,907 | RMB-denominated ordinary shares |
| Chen Lian Zhou | 8,511,994 | RMB-denominated ordinary shares |
| CICC-Standard Chartered-Citigroup Global Markets Limited | 7,318,578 | RMB-denominated ordinary shares |
| Shanghai Baosteel Group Corporation | 5,600,000 | RMB-denominated ordinary shares |
| State Social Welfare Fund No. 002 | 5,324,638 | RMB-denominated ordinary shares |
| Chen Rui Hong | 5,274,231 | RMB-denominated ordinary shares |
| 中銀國際－中行－第一生命保險相互會社 | 2,899,910 | RMB-denominated ordinary shares |

| | |
|---|---|
| Description of any connected relationships or concerted actions among the above-mentioned shareholders | There was no connected relationship between Magang (Group) Holding Company Limited ("Holding") and the other shareholders mentioned above, nor were they concerted parties. However, the Company is not aware of whether the other shareholders mentioned above had connected relationship or whether they were concerted parties. |

## 4 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 4.1 Movement in shareholding of Directors, Supervisors and Senior Management

As at the end of the reporting period, Directors Mr Gu Jianguo, Mr Gu Zhanggen and Mr Su Jiangang held 3,886 shares each in the Company, representing an increase of 986 shares when compared to the end of 2005 due to the Company's implementation of the State Share Reform. None of the remaining directors, supervisors or senior management held any shares of the Company.

## 5. MANAGEMENT DISCUSSION AND ANALYSIS

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

*(Prepared under PRC Accounting Standards)*

*UNIT: RMB million*

| **Business segment/ Product Segment** | **Principal operating income** | **Increase/ (decrease) as compared to the corresponding period of the previous year *(%)*** | **Cost of sales from principal operating activities** | **Increase/ (decrease) as compared to the corresponding period of the previous year *(%)*** | **Gross profit margin of principal operating income *(%)*** | **Increase/ (decrease) as compared to the corresponding period of the previous year (percentage point)** |
|---|---|---|---|---|---|---|
| Iron and steel | 15,422 | -4.59 | 13,647 | 3.74 | 11.51 | a decrease of 7.11 percentage points |
| Product segment | | | | | | |
| Steel plates | 5,354 | -21.91 | 4,803 | -5.77 | 10.29 | a decrease of 15.37 percentage points |
| Section steels | 3,909 | 5.68 | 3,550 | 17.90 | 9.18 | a decrease of 9.41 percentage points |
| Wire rods | 4,772 | 1.58 | 4,413 | 2.37 | 7.52 | a decrease of 0.72 percentage point |
| Train wheels and wheel rims | 1,123 | 58.39 | 647 | 14.31 | 42.39 | an increase of 22.21 percentage points |

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 RMB11,503,000 during the reporting period.

## 5.2 Geographical analysis of principal operating activities

*UNIT: RMB million*

| Region | Principal operating income | Increase/(decrease) as compared to the corresponding period of the previous year *(%)* |
|---|---|---|
| Anhui | 4,766 | 22 |
| Jiangsu | 3,209 | -9 |
| Shanghai | 2,477 | 18 |
| Zhejiang | 1,860 | -17 |
| Guangdong | 628 | -36 |
| Other PRC regions | 1,801 | -37 |
| Export | 1,402 | 34 |

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

During the reporting period, gross profit margin of the principal operating activities of the Group was 12.15%, down 2.78 percentage points as compared to the previous year, which was primarily due to the lower average selling prices for steel products during the reporting period.

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

During the reporting period, profit from principal operating activities accounted for 140.41% of profit before tax, an increase of 2.87 percentage points as compared to the previous year, mainly attributable to the increased sales volume in the Company's steel products and a comparative increase in profit from principal operating activities during the reporting period. Expenses for the period accounted for 45.13% of profit before tax, an increase of 4.55 percentage points as compared to the previous year, mainly attributable to the comparative increase of the Company's expenses during the reporting period.

# 6. SIGNIFICANT MATTERS

## 6.1 Guarantees

*UNIT: RMB million*

<table>
<tr><th colspan="7">External guarantees provided by the Company (excluding guarantees for subsidiaries with controlling interests)</th></tr>
<tr><th>Guaranteed entity</th><th>Agreement signing date</th><th>Guarantee Amount</th><th>Type of guarantee</th><th>Guarantee period</th><th>Completed or not</th><th>Guarantee for connected parties (Yes or No)</th></tr>
<tr><td>Not applicable</td><td>Not applicable</td><td>Not applicable</td><td>Not applicable</td><td>Not applicable</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="3">Total guarantee amount during the reporting period</td><td colspan="4">Not applicable</td></tr>
<tr><td colspan="3">Balance of guarantees during the reporting period</td><td colspan="4">Not applicable</td></tr>
<tr><th colspan="7">Guarantees provided by the Company for subsidiaries with controlling interests</th></tr>
<tr><td colspan="3">Total guarantee amount for subsidiaries with controlling interests during the reporting period</td><td colspan="4">0</td></tr>
<tr><td colspan="3">Balance of guarantees for subsidiaries with controlling interests at the end of the reporting period</td><td colspan="4">7,728</td></tr>
<tr><th colspan="7">Total guarantee amount provided by the Company<br>(including guarantees for subsidiaries with controlling interests)</th></tr>
<tr><td colspan="3">Total guarantee amount</td><td colspan="4">7,728</td></tr>
<tr><td colspan="3">Total guarantee amount as a percentage of net assets of the Company</td><td colspan="4">40.75%</td></tr>
<tr><td colspan="7">Including:</td></tr>
<tr><td colspan="3">Guarantee amount provided for shareholders, their actual controlling shareholders or connected parties</td><td colspan="4">Not applicable</td></tr>
<tr><td colspan="3">Debt guarantee provided directly or indirectly for entities with gearing (assets-liabilities) ratio exceeding 70%</td><td colspan="4">Not applicable</td></tr>
<tr><td colspan="3">Total guarantee amount exceeding 50% of net assets</td><td colspan="4">Not applicable</td></tr>
<tr><td colspan="3">Total amount of the three guarantees mentioned above</td><td colspan="4">Not applicable</td></tr>
</table>

**6.2 State Share Reform**

The State Share Reform Proposal of the Company, whereby Holding offered circulating A shareholders 3.4 shares for every 10 shares they held, was approved by the State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province on 20 February 2006. It was further approved by the relevant shareholders' meeting to the State Share Reform on 27 February, and was approved by the Ministry of Commerce of the PRC on 17 March. With effect from 31 March 2006, the stock abbreviation of A shares of the Company was changed to "G Ma Steel".

**6.3 Special undertakings given by the original non-circulating shareholders under the State Share Reform and their respective implementation status**

During the process of the State Share Reform Proposal, Holding has given the following special undertakings:

(1) After the implementation of the State Share Reform, the Company's shares held by Holding will not be listed for trading or transferred within 12 months from the tradeable date of the shares, and the state-owned shares held by Holding also will not be listed for trading or transferred in the following 24 months. However, so far as it is permitted under the scope of prevailing policies, Holding may carry out incentive stock option plan(s) or share transfer to particular investor(s). Target(s) of the incentive stock option plan(s) should hold the shares for such period as prescribed under the relevant policies and the particular investor(s) should, after acquiring the shares from Holding, continue to hold such transfer for the same period as undertaken by Holding.

(2) Holding paid all the costs and expenses arising from the State Share Reform.

Furthermore, Holding made representations as follows:

(1) If Holding acts in breach of the above undertakings, it will bear the following breach liabilities in accordance with the law: Holding will be liable for making compensation in respect of the direct economic losses suffered by the other shareholders of the Company as a result of Holding's breach of the above undertakings. Moreover, Holding will, in accordance with the relevant provisions of Chapter 7 "Regulatory Measures and Legal Liabilities" (「監管

措施與法律責任」) of the Administrative Procedures of the State Share Reform of Listed Companies (《上市公司股權分置改革管理辦法》), accept any punishment imposed by the regulatory authorities such as China Securities Regulatory Commission and the Shanghai Stock Exchange, and will bear any legal liabilities accordingly.

(2) Holding will perform its undertakings in a faithful manner and bear any legal liabilities accordingly. Unless the transferee agrees and has the ability to bear the liabilities for the undertakings, Holding will not transfer the shares it held otherwise.

During the reporting period, Holding has fully complied with the undertakings.

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

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

**6.5 Code on corporate governance**

The Company has compiled with all code provisions of the Code on Corporate Governance in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the first half of 2006. All of the directors of the Company have compiled 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.

**7. FINANCIAL REPORT**

**7.1 Auditors' Opinion**

Financial statements (unaudited)

**7.2 Comparison of the consolidated and the Company's statements of income and profit appropriation prepared under PRC Accounting Standards.**
**(see Appendix)**

## 7.3 Notes to financial statements

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

During the reporting period, the Company and Hefei Investment Holding Company Limited entered into a "Venturers' Agreement" for the joint establishment of Ma Steel (Hefei) Iron & Steel Co. Ltd., with registered capital of RMB500 million. The Company owned 71% equity interest in the joint venture. Results of the joint venture have been incorporated into the current period's consolidated financial statements.

Save as the above-mentioned company, there was no change to the consolidated criteria of the Company's financial statements as compared to the latest financial statements announced.

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

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

By order of the Board of Directors
**Gu Jianguo**
*Chairman*

Maanshan City, Anhui Province, the PRC
1 August 2006

*As at the date of this announcement, the Board of Directors comprises:*
*Gu Jianguo, Gu Zhanggen, Zhu Changqiu, Zhao Jianming, Su Jiangang, Gao Haijian, Wong Chun Wa*, Su Yong*, Hui Leung Wah*, Han Yi**

* *Independent Non-executive Directors*

Appendix:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*(Prepared under Hong Kong accounting standards)*

| | Notes | **For the six months ended 30 June 2006** *Unaudited* *RMB'000* | 2005 *Unaudited* *RMB'000* |
|---|---|---|---|
| REVENUE | 3 | **16,142,229** | 16,663,877 |
| Cost of sales | | **(14,144,189)** | (13,544,451) |
| Gross profit | | **1,998,040** | 3,119,426 |
| Other income and gains | 3 | **73,626** | 85,095 |
| Selling and distribution costs | | **(240,074)** | (214,066) |
| Administrative expenses | | **(373,225)** | (251,295) |
| Other operating income/ (expenses), net | | **17,438** | (424) |
| Finance costs | 4 | **(147,026)** | (183,917) |
| Share of profits and losses of associates | | **9,826** | – |
| PROFIT BEFORE TAX | 5 | **1,338,605** | 2,554,819 |
| Tax | 6 | **(231,535)** | (410,268) |
| PROFIT FOR THE PERIOD | | **1,107,070** | 2,144,551 |
| Attributable to: | | | |
| Equity holders of the parent | | **1,090,020** | 2,127,196 |
| Minority interests | | **17,050** | 17,355 |
| | | **1,107,070** | 2,144,551 |
| DIVIDEND | 7 | **Nil** | Nil |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 8 | | |
| Basic | | **16.89 cents** | 32.95 cents |
| Diluted | | **N/A** | N/A |

**CONDENSED CONSOLIDATED BALANCE SHEET**
*(Prepared under Hong Kong accounting standards)*

| | *Notes* | **As at 30 June 2006** **Unaudited** **RMB'000** | As at 31 December 2005 *Audited* *RMB'000* |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **19,294,747** | 18,384,692 |
| Prepaid land premiums | | **1,280,097** | 1,137,801 |
| Construction in progress | | **12,502,807** | 7,476,730 |
| Intangible asset | | **108,468** | 109,035 |
| Investment in a jointly-controlled entity | | **234,000** | 234,000 |
| Investments in associates | | **285,553** | 268,060 |
| Available-for-sale equity investments | | **16,817** | 16,817 |
| Held-to-maturity investments | | **10,919** | 10,919 |
| Deferred tax assets | | **46,547** | 53,175 |
| Total non-current assets | | **33,779,955** | 27,691,229 |
| CURRENT ASSETS | | | |
| Inventories | | **6,663,807** | 5,168,472 |
| Construction contracts | | **33,178** | 31,002 |
| Trade and bills receivables | 9 | **2,696,159** | 2,215,092 |
| Prepayments, deposits and other receivables | | **793,134** | 559,386 |
| Equity investments at fair value through profit or loss | | **13,568** | 13,568 |
| Pledged deposits | | **564,220** | 142,114 |
| Cash and cash equivalents | | **3,268,016** | 3,112,902 |
| Total current assets | | **14,032,082** | 11,242,536 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 10 | **6,375,063** | 3,863,128 |
| Other payables and accruals | | **5,101,268** | 4,495,428 |
| Interest-bearing bank and other borrowings | | **2,666,259** | 2,191,361 |
| Tax payable | | **87,342** | 118,021 |
| Provisions | | **109,260** | 114,747 |

| | | |
|---|---|---|
| Dividend payable | **1,032,848** | – |
| Total current liabilities | **15,372,040** | 10,782,685 |
| NET CURRENT ASSETS/ (LIABILITIES) | **(1,339,958)** | 459,851 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | **32,439,997** | 28,151,080 |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing bank and other borrowings | **12,728,108** | 8,570,816 |
| Deferred income | **473,210** | 498,086 |
| Provisions | **29,485** | 29,485 |
| Due to the ultimate holding company | **400,000** | 400,000 |
| Total non-current liabilities | **13,630,803** | 9,498,387 |
| Net assets | **18,809,194** | 18,652,693 |
| EQUITY | | |
| Equity attributable to equity holders of the parent | | |
| Issued capital | **6,455,300** | 6,455,300 |
| Reserves | **12,116,376** | 11,026,356 |
| Proposed final dividend | **–** | 1,032,848 |
| | **18,571,676** | 18,514,504 |
| Minority interests | **237,518** | 138,189 |
| Total equity | **18,809,194** | 18,652,693 |

Notes:

**1. ACCOUNTING POLICIES**

The condensed consolidated interim 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 2005 except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted the first time for the current period's financial statements:

| | |
|---|---|
| HKAS 39 Amendment | The Fair Value Option |
| HKAS 39 & HKFRS 4 Amendments | Financial Guarantee Contracts |
| HK(IFRIC)-Int 4 | Determining whether an Arrangement contains a Lease |

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

## 2. SEGMENT INFORMATION

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

No geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in the People's Republic of China (the "PRC"), and over 90% of the Group's assets are located in the PRC.

## 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** | |
|---|---|---|
| | **2006** | 2005 |
| | ***Unaudited*** | *Unaudited* |
| | ***RMB'000*** | *RMB'000* |
| Revenue | | |
| Sale of goods | **16,142,229** | 16,663,877 |
| Other income and gains | | |
| Interest income | **13,235** | 9,053 |
| Dividend income from an available-for-sale equity investment | **5,295** | 4,996 |
| Recognition of deferred income | **24,876** | 23,886 |
| Others | **30,220** | 47,160 |
| | **73,626** | 85,095 |

## 4. FINANCE COSTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2006** | 2005 |
| | ***Unaudited*** | *Unaudited* |
| | ***RMB'000*** | *RMB'000* |
| Interest on bank loans and other loans wholly repayable within five years | **324,970** | 216,146 |
| Less: Interest capitalised in construction in progress | **(177,944)** | (32,229) |
| | **147,026** | 183,917 |

## 5. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2006** | 2005 |
| | ***Unaudited*** | *Unaudited* |
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold | **14,144,189** | 13,544,451 |
| Depreciation | **1,137,129** | 999,580 |
| Recognition of prepaid land premiums | **12,444** | 10,538 |
| Amortisation of a mine participation right | **567** | – |
| Reversal of provision for doubtful debts | **(308)** | – |
| Reversal of impairment provision for construction in progress | **(17,676)** | – |
| Dividend income from an available-for-sale equity investment | **(5,295)** | (4,996) |

## 6. TAX

| | For the six months ended 30 June | |
|---|---|---|
| | **2006** | 2005 |
| | ***Unaudited*** | *Unaudited* |
| | ***RMB'000*** | *RMB'000* |
| Group: | | |
| Current – Mainland China | | |
| Charge for the period | **218,970** | 388,288 |
| Underprovision in prior years | **–** | 21,980 |
| Current – Elsewhere | **5,937** | – |
| Deferred | **6,628** | – |
| Total tax charge for the period | **231,535** | 410,268 |

The income tax for the Company and its subsidiaries in the mainland of the PRC (the "Mainland China") is calculated at rates ranging from 15% to 33% on their estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof. Certain of the Company's subsidiaries are foreign investment enterprises and after obtaining authorisation from 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.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong for the six months ended 30 June 2006 and 2005.

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

## 7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2006 (2005: Nil).

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the net profit for the period attributable to ordinary equity holders of the parent of approximately RMB1,090,020,000 (For the six months ended 30 June 2005: approximately RMB2,127,196,000) and 6,455,300,000 (2005: 6,455,300,000) ordinary shares in issue during the period.

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

## 9. TRADE AND BILLS RECEIVABLES

The Group's credit periods offered to selected customers are 30 to 90 days.

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

| | **As at 30 June 2006** *Unaudited* *RMB'000* | As at 31 December 2005 *Audited* *RMB'000* |
|---|---|---|
| Trade receivables: | | |
| Within three months | **564,105** | 188,665 |
| Four to six months | **27,757** | 32,819 |
| Seven to twelve months | **4,066** | 49,014 |
| One to two years | **18,040** | 12,578 |
| Two to three years | **2,128** | 407 |
| | **616,096** | 283,483 |
| Bills receivable | **2,080,063** | 1,931,609 |
| | **2,696,159** | 2,215,092 |

Bills receivable will mature within one year.

## 10. 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 2006** *Unaudited* *RMB'000* | As at 31 December 2005 *Audited* *RMB'000* |
|---|---|---|
| Within one year | **6,330,516** | 3,820,295 |
| One to two years | **29,852** | 36,029 |
| Two to three years | **9,329** | 1,549 |
| Over three years | **5,366** | 5,255 |
| | **6,375,063** | 3,863,128 |

## STATEMENT OF INCOME AND PROFIT APPROPRIATION

*(Prepared under PRC accounting standards)*

| | **For the six months ended 30 June 2006** | | For the six months ended 30 June 2005 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | ***Unaudited*** | ***Unaudited*** | *Unaudited* | *Unaudited* |
| | ***RMB*** | ***RMB*** | *RMB* | *RMB* |
| Principal operating income | **16,142,229,487** | **16,299,630,219** | 16,663,877,205 | 16,729,732,507 |
| Less: Cost of sales | **(14,181,370,436)** | **(14,397,749,880)** | (13,544,451,055) | (13,667,529,322) |
| Taxes and surcharges | **(115,902,071)** | **(110,357,637)** | (116,453,564) | (113,873,599) |
| Profit from principal operating activities | **1,844,956,980** | **1,791,522,702** | 3,002,972,586 | 2,948,329,586 |
| Add: Other operating profit | **28,160,027** | **1,639,719** | 43,917,559 | 10,736,113 |
| Less: Selling expenses | **(124,171,646)** | **(120,553,315)** | (97,612,515) | (96,461,765) |
| Administrative expenses | **(331,656,410)** | **(284,348,321)** | (357,203,348) | (331,434,354) |
| Financial expenses | **(137,282,094)** | **(129,691,979)** | (66,326,989) | (38,860,462) |
| Operating profit | **1,280,006,857** | **1,258,568,806** | 2,525,747,293 | 2,492,309,118 |
| Add: Investment income | **15,120,523** | **90,125,482** | 4,995,983 | 57,456,406 |
| Non-operating income | **2,060,142** | **1,804,866** | 3,243,208 | 3,048,237 |
| Less: Non-operating expenses | **16,541,420** | **16,551,750** | (3,054,072) | (2,939,602) |
| Profit before tax | **1,313,728,942** | **1,367,050,904** | 2,530,932,412 | 2,549,874,159 |
| Less: Income tax | **(224,906,610)** | **(205,057,636)** | (410,268,198) | (404,442,135) |
| Minority interests | **(17,050,331)** | **–** | (17,354,663) | – |
| Net profit | **1,071,772,001** | **1,161,993,268** | 2,103,309,551 | 2,145,432,024 |
| Add: Retained profits at beginning of period | **4,595,922,817** | **4,597,770,300** | 3,758,605,642 | 3,788,605,893 |
| Profit available for distribution | **5,667,694,818** | **5,759,763,568** | 5,861,915,193 | 5,934,037,917 |
| Less: Transfers to statutory surplus reserve | **–** | **–** | – | – |
| Transfers to reserve fund | **–** | **–** | – | – |
| Transfers to enterprise expansion fund | **–** | **–** | – | – |
| Transfers to employee bonus and welfare fund | **–** | **–** | – | – |
| Profit available for distribution to shareholders | **5,667,694,818** | **5,759,763,568** | 5,861,915,193 | 5,934,037,917 |
| Less: Ordinary share dividend payable | **(1,032,848,000)** | **(1,032,848,000)** | (1,420,166,000) | (1,420,166,000) |
| Retained profits at end of period | **4,634,846,818** | **4,726,915,568** | 4,441,749,193 | 4,513,871,917 |

Please also refer to the published version of this announcement in South China Morning Post.