

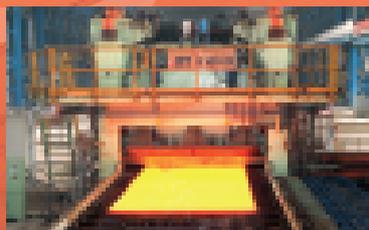


中國冶金科工股份有限公司
METALLURGICAL CORPORATION OF CHINA LTD.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 1618

INTERIM REPORT 2010



Contents

MCC is to develop itself into the world's top class enterprise with international competitiveness and become a large conglomerate primarily engaged in engineering and construction, resources development, equipment manufacturing and property development with diversified business across a number of industries and countries. In the next five years, MCC is sturdily determined to develop its principal business and targets to become an international predominant EPC corporation, a metallurgical engineering and construction contractor with the largest domestic market share, the largest overseas metallurgical engineering and construction contractor in the PRC, a metal and mineral resources developer, a metallurgical equipment manufacturer with intellectual property rights and a property and construction developer to step towards the target of strengthening and maximising its business.

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President's Statement

Shen Heting
President and
Executive Director



President's Statement



Dear Shareholders and friends,

With the unwavering support of all shareholders and friends as well as the concerted efforts of our Board, management and staff, in the first half of 2010, amid an ever-changing external business environment, MCC has strived to enhance its principal business and improve its scientific development. To such end, it has brought in new business ideas, adjusted industrial structure, improved development model and enhanced management quality. All our operating indicators have steadily improved. In the first half of 2010, MCC saw a year-on-year increase of 18.24% in revenue to RMB88,850 million and an increase of 10.72% in profit to RMB3,616 million, and created synergies and enjoyed steady growth across its four principal business segments, namely engineering and construction, equipment manufacturing, resources development and property development. The ranking of China Metallurgical Group Corporation, which holds MCC as its core asset, in the Fortune Global 500 companies has jumped from 380th in 2009 to 315th in 2010. Our corporate image has inevitably improved.

Despite the ripple effect of the international financial crisis, MCC has achieved remarkable success in strengthening its position in the traditional market and penetrating into emerging markets by adopting a flexible marketing approach and tapping into both domestic and overseas markets in the first half of 2010. In particular, we saw promising results in social welfare housing projects, comprehensive urban development and urban and rural areas development projects. In the first half of 2010, MCC has developed and constructed 10 social welfare housing projects, with a total gross floor area of approximately 13,000,000m² and a total investment of approximately RMB30,000 million. It has also made solid progress in various comprehensive urban development and urban and rural areas development projects in cities such as Nanjing, Zhuhai and Qinhuangdao, and has received overwhelming positive responses. In addition, under the "go global" strategy, active steps were made to open up overseas markets and also a new horizon for business. The CHINA FIRST coal mine project in Australia, a project jointly developed by MCC as the EPCM contractor and other Chinese conglomerates with expected gross investment of more than USD7,000 million, marked a brand new integrated model of EPC contracting and resources development.

MCC has earnestly fulfilled its social responsibilities as a state-owned enterprise. Bearing in mind its responsibilities to the State and community at large, MCC has actively engaged in rescue efforts and took prompt contingency measures in the aftermath of the 4.14 Yushu Earthquake. Several rescue teams were assigned to join rescue efforts and donations were made. We earned recognition and praise from relevant authorities in the PRC for our outstanding performance in providing rescue relief.

President's Statement

In the upcoming period, the world's economy is to recover at a steady pace and the PRC economy will continue to demonstrate rapid growth. It is anticipated that the growth in the scale of the infrastructure construction projects at home will remain stable and enormous opportunities will arise for investment in overseas resources development. Further, the phasing-out of obsolete capacity in the domestic iron and steel industry will also present new opportunities to the Company. MCC is to adhere to its scientific concept of development and will focus on enhancing its principal business. By adjusting the business structure and encouraging technological innovation, strengthening risk control and adopting simplified management structure, we aim to expand our market share both at home and abroad, enhance our overall competence, boost profitability of all principal business segments and improve our level of scientific development. Under the strong leadership of the Board, and with team efforts and determination, MCC is to weather the storm to ensure all performance targets are met as a token of thanks for the support from all shareholders and friends from all circles of life.



President and Executive Director

Shen Heting

Corporate Information

Registered company name (in Chinese)	中國冶金科工股份有限公司
Abbreviation in Chinese	中國中冶
Company name (in English)	Metallurgical Corporation of China Ltd.*
Abbreviation in English	MCC
Legal representative of the Company	Shen Heting
Registered address	28 Shuguang Xili, Chaoyang District Beijing
First registration date of the Company	1 December 2008
Business address in the PRC	MCC Tower 28 Shuguang Xili, Chaoyang District Beijing, PRC
Principal place of business in Hong Kong	Room 3205, 32/F Office Tower Convention Plaza 1 Harbour Road, Wanchai, Hong Kong
Website address	http://www.mccchina.com
E-mail	ir@mccchina.com
Joint company secretaries	Huang Dan, Ngai Wai Fung
Contact address	MCC Tower 28 Shuguang Xili, Chaoyang District Beijing, PRC
Tel	+86-10-59868666
Fax	+86-10-59868999
Places of listing	The Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange
Abbreviation of stock name	MCC
Stock codes	1618 (Hong Kong), 601618 (Shanghai)

* For identification purpose only

Corporate Information

H share registrar and transfer office	Computershare Hong Kong Investor Services Limited
PRC auditor	PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Office address of the PRC auditor	26/F, Office Tower A, Beijing Fortune Plaza, 7 Dongsanhuan Zhonglu, Chaoyang District, Beijing, PRC
International auditor	PricewaterhouseCoopers Certified Public Accountants
Office address of the international auditor	22/F, Prince's Building Central Hong Kong
PRC legal advisor	Beijing Jiayuan Law Firm
Office address of the PRC legal advisor	F407, Ocean Plaza 158 Fuxingmennei Avenue Beijing, PRC
Hong Kong legal advisor	Slaughter and May
Office address of the Hong Kong legal advisor	47/F, Jardine House One Connaught Place Central Hong Kong

Company Profile

The Company was established by China Metallurgical Group Corporation and Baosteel Group Corporation as promoters on 1 December 2008 and was listed on the main boards of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 21 September 2009 and 24 September 2009 respectively.

We are a large conglomerate operating in various specialized fields, across different industries and in many countries, with engineering and construction, resources development, equipment manufacturing and property development as our principal businesses. We have core competency in innovation and industrialization of technology and strong construction capabilities in metallurgical engineering. We are one of the largest engineering and construction companies in the PRC and even in the world. The Parent, which holds the Company as its core asset, ranked 315th among the 2010 Fortune Global 500 companies.

Currently, the A Shares of the Company have been selected to be a constituent stock of, among others, the SSE 50 Index, SSE 180 Index, CSI 300 Index; while the H Shares of the Company have been selected to be a constituent stock of, among others the FTSE/Xinhua Hong Kong Investment Index (新華富時香港投資指數), MSCI Global Standard Index (MSCI環球標準指數), FTSE/Xinhua China A50 Index, Hang Seng China Enterprise Index and Hang Seng China 50 Index.

As at 30 June 2010, the Directors of the Company are as follows:

Name	Position
Jing Tianliang	Chairman, non-executive Director
Wang Weimin	Vice chairman, executive Director
Shen Heting	President, executive Director
Guo Wenqing	Employee representative Director (non-executive Director)
Jiang Longsheng	Independent non-executive Director
Wen Keqin	Independent non-executive Director
Liu Li	Independent non-executive Director
Chen Yongkuan	Independent non-executive Director
Cheung Yukming	Independent non-executive Director

As at 30 June 2010, the Supervisors of the Company are as follows:

Name	Position
Han Changlin	Chairman of the Supervisory Committee
Peng Haiqing	Supervisor
Shao Jinhui	Employee representative Supervisor

Company Profile

As at 30 June 2010, the senior management of the Company are as follows:

Name	Position
Shen Heting	President, executive Director
Huang Dan	Vice president, secretary to the Board
Wang Yongguang	Vice president
Li Shiyu	Vice president, chief accountant (chief financial controller)
Zhang Zhaoxiang	Vice president
Wang Xiufeng	Vice president

As at 30 June 2010, the Company has 58 principal wholly-owned or non-wholly owned subsidiaries (二級全資及控股子公司) both in the PRC and abroad, which are detailed as follows:

Central Research Institute of Building and Construction Co., Ltd., MCC Group

Beijing MCC Equipment Research & Design Corporation Ltd.

Wuhan Research Institute of Metallurgical Construction, MCC (中冶武漢冶金建築研究院有限公司)

MCC Capital Engineering & Research Incorporation Limited

CISDI Engineering Co., Ltd.

WISDRI Engineering & Research Incorporation Limited

Huatian Engineering & Technology Corporation, MCC

BERIS Engineering and Research Corporation

Northern Engineering & Technology Corporation, MCC

ACRE Coking & Refractory Engineering Consulting Corporation, MCC

Zhong Ye Chang Tian International Engineering Co., Ltd.

China Enfi Engineering Co., Ltd.

CCTEC Engineering Co., Ltd.

Shen Kan Engineering & Technology Corporation, MCC

Cheng Du Surveying Geotechnical Research Institute Co., Ltd. of MCC

Company Profile

Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC

China First Metallurgical Construction Corporation

China Second Metallurgical Construction Corporation Limited

China MCC 3 Group Co., Ltd.

China MCC 5 Group Co., Ltd.

MCC Tiangong Construction Corporation Limited

China MCC 17 Group Co., Ltd.

China Metallurgical Construction Co., Ltd.

China MCC 19 Group Co., Ltd.

China MCC 20 Group Co., Ltd. (中國二十冶集團有限公司)

China 22MCC Group Co., Ltd.

MCC Baosteel Technology Services Co., Ltd.

Shanghai Baoye Group Corp., Ltd. (上海寶冶集團有限公司)

MCC Hi-Tech Engineering Co., Ltd.

MCC Communication Engineering Technology Co., Ltd.

MCC Huaye Resources Development Co., Ltd.

MCC Huludao Nonferrous Metals Group Co., Ltd.

MCC Minera Sierra Grande S.A

MCC Tongsin Resources Ltd.

MCC Xiangxi Mining Co., Ltd.

MCC-JJJ Mining Development Company Limited

MCC Real Estate Co., Ltd.

Company Profile

MCC Overseas Ltd.

MCC International Incorporation Ltd.

China MCC International Economic and Trade Co., Ltd.

MCC Great Land United Consulting and Engineering Co., Ltd.

MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.

MCC Mining (Western Australia) Pty Ltd.

MCC Finance Corporation Ltd.

Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.

Chongqing Iron and Steel Designing Institute Co., Ltd.

Wuhan Iron and Steel Design & Research Incorporation Limited

MCC Maanshan I&S Design and Research Institute Co., Ltd.

Beris Group Corporation (中冶東方控股有限公司)*

Anshan Engineering & Research Incorporation of Metallurgical Industry

Anshan Coking and Refractory Engineering Consulting Corporation

Changsha Metallurgical Design & Research Institute Co., Ltd.

Shenyang Institute of Geotechnical Investigation Corporation, MCC

China 13th Metallurgical Construction Corporation

China No. 18 Metallurgical Construction Co., Ltd.

North China Metallurgical Construction Co., Ltd.

Ramu NiCo Management (MCC) Limited

MCC Australia Holding Pty Ltd.

* The former Baotou Engineering & Research Corp. of Iron and Steel Industry had changed its name to Beris Group Corporation (中冶東方控股有限公司).

Financial Highlights

(1) OVERVIEW

The Company's financial position as at 30 June 2010 and the operating results for the six months ended 30 June 2010 (the "Reporting Period") are set out as follows:

- revenue amounted to RMB88,850 million, representing a year-on-year increase of RMB13,708 million or 18.24% from RMB75,142 million in the same period in 2009;
- profit for the period amounted to RMB2,596 million, representing a year-on-year increase of RMB20 million or 0.78% from RMB2,576 million in the same period in 2009;
- profit attributable to equity holders of the Company amounted to RMB2,275 million, representing a year-on-year increase of RMB140 million or 6.56% from RMB2,135 million in the same period in 2009;
- basic earnings per share amounted to RMB0.12, representing a decrease of RMB0.04 or 25.00% from RMB0.16 in the same period in 2009;
- total assets as at 30 June 2010 amounted to RMB260,223 million, representing an increase of RMB30,660 million or 13.36% from RMB229,563 million as at 31 December 2009;
- total equity amounted to RMB47,490 million, representing an increase of RMB3,700 million or 8.45% from RMB43,790 million as at 31 December 2009;
- newly-signed contract value amounted to RMB156,060 million, representing an increase of 38.96% from the same period of 2009, of which newly-signed overseas contracts amounted to USD1,587 million.

Financial Highlights

(2) REVENUE FROM PRINCIPAL BUSINESS SEGMENTS

During the Reporting Period, revenue of the principal business segments of the Company is as follows:

- **Engineering and construction business**

Revenue amounted to RMB70,859 million, representing an increase of RMB5,108 million or 7.77% from RMB65,751 million for the six months ended 30 June 2009.

- **Equipment manufacturing business**

Revenue amounted to RMB4,618 million, representing an increase of RMB243 million or 5.55% from RMB4,375 million for the six months ended 30 June 2009.

- **Resources development business**

Revenue amounted to RMB4,327 million, representing an increase of RMB1,266 million or 41.36% from RMB3,061 million for the six months ended 30 June 2009.

- **Property development business**

Revenue amounted to RMB7,725 million, representing an increase of RMB5,894 million or 321.90% from RMB1,831 million for the six months ended 30 June 2009.

- **Other businesses**

Revenue amounted to RMB3,236 million, representing an increase of RMB2,153 million or 198.80% from RMB1,083 million for the six months ended 30 June 2009.

Note: All of the above revenue represents the data before elimination of inter-segment transactions.

Financial Highlights

(3) SUMMARY OF FINANCIAL STATEMENTS

Summary of financial statements prepared in accordance with IFRS

Unaudited Condensed Consolidated Income Statement

	For the six months ended 30 June	
	2010 <i>RMB million</i>	2009 <i>RMB million</i>
Revenue	88,850	75,142
Cost of sales	(79,977)	(68,091)
Gross profit	8,873	7,051
Selling and marketing expenses	(594)	(387)
Administrative expenses	(3,767)	(3,004)
Other income	446	490
Other (losses)/gains-net	(132)	71
Other expenses	(110)	(50)
Operating profit	4,716	4,171
Finance income	282	229
Finance costs	(1,421)	(1,174)
Share of profits of associates	39	40
Profit before income tax	3,616	3,266
Income tax expense	(1,020)	(690)
Profit for the period	2,596	2,576
Attributable to:		
Equity holders of the Company	2,275	2,135
Non-controlling interests	321	441
	2,596	2,576

Financial Highlights

	For the six months ended 30 June	
	2010 <i>RMB million</i>	2009 <i>RMB million</i>
Earnings per share for profit attributable to equity holders of the Company		
— Basic earnings per share (<i>RMB</i>)*	0.12	0.16
— Diluted earnings per share (<i>RMB</i>)	0.12	0.16
Dividends	—	1,875

Note* For the six months ended 2009, the weighted average number of ordinary shares in issue of the Company was 13,000 million. For the six months ended 2010, the weighted average number of ordinary shares in issue of the Company was 19,110 million. The increase in the weighted average number of ordinary shares in issue for the period was attributable to the listing of the Company's shares, which led to the decrease in basic earnings per share.

Summary of Unaudited Condensed Consolidated Total Assets and Total Liabilities

	As at 30 June 2010 <i>RMB million</i>	As at 31 December 2009 <i>RMB million</i>
Total assets	260,223	229,563
Total liabilities	212,733	185,773
Net assets	47,490	43,790

Changes in Share Capital and Particulars of Shareholders

(I) CHANGES IN SHARE CAPITAL

(1) Changes in shares

As at 30 June 2010, the Company has a registered capital of RMB19,110,000,000, divided into 19,110,000,000 shares with a nominal value of RMB1.00 each. These shares include:

<u>Class of shares</u>	<u>Number of shares</u>
H Shares	2,871,000,000
A Shares	16,239,000,000
Total	19,110,000,000

During the Reporting Period, there were no changes in the shares of the Company.

(2) Changes in shares subject to selling restrictions

Save for the release of 305,155,000 H Shares subject to selling restrictions held by H Share cornerstone investors of the Company on 24 March 2010, no change in shares subject to selling restrictions occurred during the Reporting Period.

(3) Changes in total number of shares and share capital structure

No change in total number of shares and share capital structure of the Company occurred during the Reporting Period.

(4) Existing employee shares

The Company had no employee shares during the Reporting Period.

(5) Purchase, sale or redemption of the Company's listed securities

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

(6) Pre-emptive rights and shares option arrangements

The Articles of Association of the Company do not have any mandatory provision regarding pre-emptive rights. Subject to the Hong Kong Listing Rules and pursuant to the Articles of Association, the Company may increase its registered capital by issuing shares through public or non-public offering, issuing bonus shares to the existing Shareholders, converting capital reserve to share capital and using other methods as allowed by laws and administrative regulations and approved by relevant authorities.

During the Reporting Period, the Company did not have any share option arrangements.

Changes in Share Capital and Particulars of Shareholders

(II) PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON

(1) Number of Shareholders and their shareholding

As at the end of the Reporting Period, the Company had a total of 457,656 Shareholders, including 448,294 holders of A Shares and 9,362 holders of H Shares.

Particulars of the top 10 Shareholders (Note 2)

Unit: share

Name of Shareholder	Nature of Shareholder	Shareholding percentage (%)	Total number of shares held	Change during the Reporting Period	Number of shares subject to selling restrictions held	Number of shares pledged or frozen
China Metallurgical Group Corporation	state	64.18	12,265,108,500	—	12,265,108,500	Nil
HKSCC Nominees Limited (Note 1)	others	14.95	2,856,202,000	-1,631,000	—	Unknown
The National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	state	1.83	350,000,000	—	350,000,000	Unknown
Baosteel Group Corporation	state	0.65	123,891,500	—	123,891,500	Unknown
Industrial and Commercial Bank of China - China Southern Longyuan Industrial Subject Stock Investment Fund (中國工商銀行—南方隆元產業主題股票型證券投資基金)	others	0.30	56,849,601	56,849,601	—	Unknown
Bank of China - Harvest CSI 300 Index Securities Investment Fund (中國銀行—嘉實滬深300指數證券投資基金)	others	0.16	30,529,616	9,394,400	—	Unknown
Industrial and Commercial Bank of China - Shanghai Stock Exchange 50 ETF (中國工商銀行—上證50交易型開放式指數證券投資基金)	others	0.15	27,999,899	27,999,899	—	Unknown

Changes in Share Capital and Particulars of Shareholders

Name of Shareholder	Nature of Shareholder	Shareholding percentage (%)	Total number of shares held	Change during the Reporting Period	Number of shares subject to selling restrictions held	Number of shares pledged or frozen
Industrial and Commercial Bank of China - Kaiyuan Equity Fund (中國工商銀行 — 開元證券投資基金)	others	0.10	18,520,950	18,520,950	—	Unknown
China Life Insurance Company Limited - Traditional - general insurance products - 005L - CT001 Shanghai (中國人壽保險股份有限公司 — 傳統 — 普通保險產品 — 005L — CT001滬)	others	0.09	16,538,114	—	—	Unknown
China Pacific Life Insurance Co., Ltd. - Universal - Universal life (中國太平洋人壽保險股份有限公司 — 萬能 — 個人萬能)	others	0.09	16,537,948	—	—	Unknown

Note 1: The H Shares held by HKSCC Nominees Limited are those held on behalf of its beneficial holders. An aggregate of 305,155,000 H Shares which were initially held by it on behalf of H Share cornerstone investors and subject to selling restrictions had been released on 24 March 2010.

Note 2: Figures as shown in the table were extracted from the register of members of the Company as at 30 June 2010.

Changes in Share Capital and Particulars of Shareholders

Particulars of top 10 holders of shares not subject to selling restrictions (Note 2)

Unit: share

Name of Shareholder	Number of shares not subject to selling restrictions held	Type of shares
HKSCC Nominees Limited (Note 1)	2,856,202,000	H Shares
Industrial and Commercial Bank of China - China Southern Longyuan Industrial Subject Stock Investment Fund (中國工商銀行 — 南方隆元產業主題股票型證券投資基金)	56,849,601	A Shares
Bank of China - Harvest CSI 300 Index Securities Investment Fund (中國銀行 — 嘉實滬深300指數證券投資基金)	30,529,616	A Shares
Industrial and Commercial Bank of China - Shanghai Stock Exchange 50 ETF (中國工商銀行 — 上證50交易型開放式指數證券投資基金)	27,999,899	A Shares
Industrial and Commercial Bank of China - Kaiyuan Equity Fund (中國工商銀行 — 開元證券投資基金)	18,520,950	A Shares
China Life Insurance Company Limited - Traditional - general insurance products-005L-CT001 Shanghai (中國人壽保險股份有限公司 — 傳統 — 普通保險產品 — 005L — CT001滬)	16,538,114	A Shares
China Pacific Life Insurance Co., Ltd. - Universal - Universal life (中國太平洋人壽保險股份有限公司 — 萬能 — 個人萬能)	16,537,948	A Shares
PICC Property and Casualty Company Limited - Traditional - income combination (中國人民財產保險股份有限公司 — 傳統 — 收益組合)	16,537,948	A Shares
CSIC Finance Co., Ltd. (中船重工財務有限責任公司)	16,537,948	A Shares
China Petroleum Finance Co., Ltd. (中油財務有限責任公司)	16,537,948	A Shares

Explanations on the connections or parties acting in concert with the aforesaid Shareholders

Among the above Shareholders, save that Industrial and Commercial Bank of China - China Southern Longyuan Industrial Subject Stock Investment Fund and Industrial and Commercial Bank of China - Kaiyuan Equity Fund are under the common management of China Southern Fund Management Co., Ltd., the Company is not aware of the existence of any connections or parties acting in concert with other Shareholders.

Note 1: The H Shares held by HKSCC Nominees Limited are those held on behalf of its beneficial holders.

Note 2: Figures as shown in the table were extracted from the register of members of the Company as at 30 June 2010.

Changes in Share Capital and Particulars of Shareholders

Particulars of the top 10 holders of shares subject to selling restrictions and information on the selling restrictions (Note 1)

Unit: Share

No.	Name of holder of shares subject to selling restrictions	Trading of shares subject to selling restrictions			Selling restrictions
		Number of shares subject to selling restrictions held	Date for trading	Number of new shares for trading	
1	China Metallurgical Group Corporation	12,265,108,500	21 September 2012	Nil	Subject to selling restrictions for a period of 36 months commencing on the A Shares listing date
2	The National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	346,500,000	21 September 2012	Nil	Subject to selling restrictions for a period of 36 months commencing on the A Shares listing date
3	The National Council for Social Security Fund of the PRC (全國社會保障基金理事會 轉持三戶)	3,500,000	21 September 2010	Nil	Subject to selling restrictions for a period of 1 year commencing on the A Shares listing date
4	Baosteel Group Corporation	123,891,500	21 September 2010	Nil	Subject to selling restrictions for a period of 1 year commencing on the A Shares listing date

Explanations on the connections
or parties acting in concert
with the aforesaid Shareholders

The Company is not aware of the existence of any
connections or parties acting in concert with the aforesaid
Shareholders.

Note 1: Figures as shown in the table were extracted from the register of members of the Company as at 30 June 2010.

Changes in Share Capital and Particulars of Shareholders

(2) Controlling Shareholder and Ultimate Controlling Person

1. Controlling shareholder

The controlling shareholder of the Company is China Metallurgical Group Corporation, whose registered office is 28 Shuguang Xili, Chaoyang District, Beijing and the legal representative is Wang Weimin, and the registered capital is RMB7,492,861,000.

The Parent is a large state-owned enterprise under the supervision of the SASAC, whose predecessor is China Metallurgical Construction Corporation (中國冶金建設公司). In 1994, upon the approval of the former State Economic and Trade Commission, China Metallurgical Construction Corporation was renamed as China Metallurgical Construction Group Corporation (中國冶金建設集團公司), based on which the Parent was set up. On 12 March 2006, the SASAC approved China Metallurgical Construction Group Corporation to be renamed as China Metallurgical Group Corporation. On 27 April 2009, upon the approval of the SASAC, the Parent was transformed into a wholly state-owned company - China Metallurgical Group Corporation (中國冶金科工集團有限公司). Following the incorporation of the Company, the Parent, as the controlling shareholder of the Company, mainly functions as a Shareholder of the Company, operates paper business and disposes of and liquidates its retained assets.

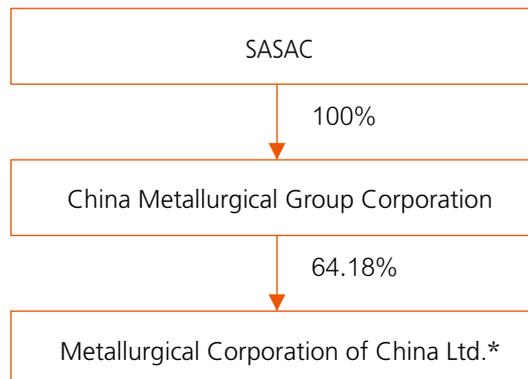
2. Ultimate controlling person

SASAC is the ultimate controlling person of the Company.

3. Changes of controlling shareholder and ultimate controlling person

During the Reporting Period, the controlling shareholder and the ultimate controlling person of the Company remained unchanged.

(3) The shareholding relationship between the Company and the ultimate controlling person



Changes in Share Capital and Particulars of Shareholders

(4) Other corporate Shareholders holding 10% or more of the Company's shares

As at the end of the Reporting Period, except for HKSCC Nominees Limited, there were no other corporate Shareholders holding 10% or more of the Company's shares.

(5) Substantial Shareholders' and other persons' interests and short positions in shares and underlying shares

As at 30 June 2010, the Company had been informed by the following person that it had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

Holder of A Shares

Name of substantial Shareholder	Capacity	Number of A Shares held (Shares)	Nature of interest	Approximate percentage of total issued A Shares (%)	Approximate percentage of total issued shares (%)
China Metallurgical Group Corporation	Beneficial owner	12,265,108,500	Long position	75.53	64.18

Save as disclosed above, to the best knowledge of the Directors, Supervisors and chief executives of the Company, as at 30 June 2010, no other person or corporation was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position that would fall to be disclosed to the Company under Part XV of the SFO.

Management Discussion and Analysis

(I) OVERVIEW

For the six months ended 30 June 2010, the Company's revenue amounted to RMB88,850 million, representing an increase of 18.24% over the same period in 2009. Profit attributable to equity holders of the Company amounted to RMB2,275 million, representing an increase of 6.56% as compared with the same period in 2009. Basic earnings per share for the six months ended 30 June 2010 was RMB0.12.

Listed below are the financial results for the six months ended 30 June 2010 as compared to the same period in 2009.

(II) CONSOLIDATED OPERATING RESULTS

1. Revenue

The Company is mainly engaged in engineering and construction, equipment manufacturing, resources development, property development and other businesses. For the six months ended 30 June 2010, the revenue of the Company amounted to RMB88,850 million, representing an increase of RMB13,708 million or 18.24% as compared with RMB75,142 million for the six months ended 30 June 2009. The increase in revenue is mainly attributable to the increases in the revenues of all business segments of the Company over the six months ended 30 June 2009, of which the segment revenues of engineering and construction, equipment manufacturing, resources development, property development and other business segments increased by RMB5,108 million or 7.77%, RMB243 million or 5.55%, RMB1,266 million or 41.36%, RMB5,894 million or 321.90% and RMB2,153 million or 198.80%, respectively (all before elimination of inter-segment transactions).

2. Cost of sales and gross profit

The Company's cost of sales primarily includes material cost (raw materials, products and work-in-progress consumed, purchased equipment and consumables used), subcontracting charges, employee benefits and other costs. For the six months ended 30 June 2010, cost of sales of the Company amounted to RMB79,977 million, representing an increase of RMB11,886 million or 17.46% as compared with RMB68,091 million for the six months ended 30 June 2009. The increase is mainly attributable to the overall growth in the Group's business.

For the six months ended 30 June 2010, gross profit of the Company amounted to RMB8,873 million, representing an increase of RMB1,822 million or 25.84% as compared with RMB7,051 million for the six months ended 30 June 2009. Gross profit margin of the Company was 9.99% for the six months ended 30 June 2010, 0.61% higher than the 9.38% for the six months ended 30 June 2009.

For the six months ended 30 June 2010, the Company's engineering and construction, equipment manufacturing, resources development, property development and other businesses respectively recorded gross profit of RMB6,389 million, RMB317 million, RMB564 million, RMB1,447 million and RMB295 million. The gross profit margins were 9.02%, 6.86%, 13.03%, 18.73% and 9.12%, respectively (all before elimination of inter-segment transactions).

Management Discussion and Analysis

3. Operating profit

For the six months ended 30 June 2010, operating profit of the Company amounted to RMB4,716 million, representing an increase of RMB545 million or 13.07% as compared with RMB4,171 million for the six months ended 30 June 2009. The increase is mainly attributable to the growth in operating profit in all business segments of the Company except for the equipment manufacturing segment and the resources development segment whose profit decreased by RMB313 million or 117.23% and RMB44 million or 18.64%, respectively (all before elimination of inter-segment transactions) from the six months ended 30 June 2009. Operating profit of the engineering and construction, property development and other businesses segments before elimination of inter-segment transactions increased by RMB39 million or 1.14%, RMB872 million or 382.46% and RMB120 million or 120.00% respectively as compared with the six months ended 30 June 2009.

4. Finance income

The Company's finance income consisted mainly of interest income on bank deposits, interest income on held-to-maturity financial assets, interest income on loans to related parties, income on advances for the third parties and gain on debt restructuring. Finance income of the Company for the six months ended 30 June 2010 amounted to RMB282 million, representing an increase of RMB53 million or 23.14% as compared with RMB229 million for the six months ended 30 June 2009, mainly attributable to the increase in interest income due to an increase in total deposits as a result of the proceeds raised from the successful listing in both domestic and overseas capital markets as compared with the same period last year.

5. Finance costs

The Company's finance costs consisted mainly of interest expenses on bank borrowings and borrowings from other financial institutions, net foreign exchange losses/(gains) on borrowings, and discount charges on bank acceptance notes, less amounts capitalized in construction in progress and amounts capitalized in properties under development. Finance costs of the Company for the six months ended 30 June 2010 amounted to RMB1,421 million, representing an increase of RMB247 million or 21.04% from RMB1,174 million for the six months ended 30 June 2009, mainly attributable to the increase in interest expenses as a result of the increase in loans.

6. Share of profits of associates

The Company's share of profits of associates is the profits attributable to the Company from its associates, net of the losses attributable to the Company from its associates, pursuant to its equity interests in such associates. For the six months ended 30 June 2010, the Company's share of profits of associates decreased by RMB1 million or 2.50% from RMB40 million for the six months ended 30 June 2009 to RMB39 million.

Management Discussion and Analysis

7. Profit before income tax

As a result of the foregoing, the Company's profit before income tax for the six months ended 30 June 2010 increased by RMB350 million or 10.72% from RMB3,266 million for the six months ended 30 June 2009 to RMB3,616 million.

8. Income tax expense

The Company's income tax expense for the six months ended 30 June 2010 increased by RMB330 million or 47.83% from RMB690 million for the six months ended 30 June 2009 to RMB1,020 million. The Company's effective tax rate was 28.21% for the six months ended 30 June 2010, a significant change from 21.13% for the six months ended 30 June 2009, mainly attributable to the expiry of the tax relief policy enjoyed by certain subsidiaries of the Company and the increase in the losses of certain subsidiaries, which had not recognized the deferred tax assets.

9. Profit/(loss) attributable to non-controlling interests

Profit/(loss) attributable to non-controlling interests represent the interests of outside shareholders in the results of operations of non-wholly owned subsidiaries of the Company. For the six months ended 30 June 2010 and the six months ended 30 June 2009, the profit attributable to non-controlling interests amounted to RMB321 million and RMB441 million, respectively.

10. Profit attributable to equity holders of the Company

Based on the above, the profit attributable to equity holders of the Company for the six months ended 30 June 2010 increased by RMB140 million or 6.56% from RMB2,135 million for the six months ended 30 June 2009 to RMB2,275 million.

Margin of profit attributable to equity holders of the Company for the six months ended 30 June 2010 decreased from 2.84% for the six months ended 30 June 2009 to 2.56%.

Management Discussion and Analysis

(III) DISCUSSION OF RESULTS BY SEGMENT

The following table sets forth the Company's segment revenue, gross profit and segment results for the six months ended 30 June 2010 and the six months ended 30 June 2009.

	Segment revenue		Gross profit		Gross profit margin		Segment result ⁽¹⁾		Segment result margin ⁽²⁾	
	For the Six Months Ended		For the Six Months Ended		For the Six Months Ended		For the Six Months Ended		For the Six Months Ended	
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(RMB	(RMB	(RMB	(RMB	%	%	(RMB	(RMB	%	%
	million)	million)	million)	million)			million)	million)		
Engineering and construction	70,859	65,751	6,389	5,655	9.02%	8.60%	3,446	3,407	4.86%	5.18%
% of the total	78.06%	86.40%	70.89%	79.79%			70.16%	80.39%		
Equipment manufacturing	4,618	4,375	317	519	6.86%	11.86%	(46)	267	(1.00%)	6.10%
% of the total	5.09%	5.75%	3.52%	7.32%			(0.94%)	6.30%		
Resources development	4,327	3,061	564	445	13.03%	14.54%	192	236	4.44%	7.71%
% of the total	4.77%	4.02%	6.26%	6.28%			3.91%	5.57%		
Property development	7,725	1,831	1,447	330	18.73%	18.02%	1,100	228	14.24%	12.45%
% of the total	8.51%	2.41%	16.06%	4.66%			22.39%	5.38%		
Other business	3,236	1,083	295	138	9.12%	12.74%	220	100	6.80%	9.23%
% of the total	3.57%	1.42%	3.27%	1.95%			4.48%	2.36%		
Subtotal	90,765	76,101	9,012	7,087	9.93%	9.31%	4,912	4,238	5.41%	5.57%
Inter-segment elimination	(1,915)	(959)	(139)	(36)			(139)	(36)		
Total	88,850	75,142	8,873	7,051	9.99%	9.38%	4,773	4,202	5.37%	5.59%

⁽¹⁾ Total of segment result less the unallocated cost equals to our total operating profit.

⁽²⁾ Segment result margin represents segment result as a percentage of segment revenue.

Management Discussion and Analysis

1. Engineering and construction

The financial information of engineering and construction business in this section is presented before elimination of inter-segment transactions and does not include unallocated cost.

The following table sets forth the principal result information for engineering and construction business for the six months ended 30 June 2010 and the reporting period for the six months ended 30 June 2009.

	For the Six Months Ended 30 June	
	2010	2009
	(RMB million)	(RMB million)
Segment revenue	70,859	65,751
Cost of sales	(64,470)	(60,096)
Gross profit	6,389	5,655
Selling and marketing expenses	(323)	(228)
Administrative expenses	(2,708)	(2,297)
Other income and gains/(expenses)	88	277
Segment result	3,446	3,407
Depreciation and amortisation	554	500

Segment revenue. Segment revenue from engineering and construction business for the six months ended 30 June 2010 increased by RMB5,108 million or 7.77% from RMB65,751 million for the six months ended 30 June 2009 to RMB70,859 million. The increase is mainly attributable to the settlement of the revenue of previous metallurgical projects and acceptance and execution of non-metallurgical projects.

Cost of sales and gross profit. Cost of sales of engineering and construction business for the six months ended 30 June 2010 increased by RMB4,374 million or 7.28% from RMB60,096 million for the six months ended 30 June 2009 to RMB64,470 million. Percentage of cost of sales against segment revenue decreased to 90.98% for the six months ended 30 June 2010 from 91.40% for the six months ended 30 June 2009. The increase was attributable primarily to our increased business in this segment.

Gross profit generated from the engineering and construction business for the six months ended 30 June 2010 increased by RMB734 million or 12.98% from RMB5,655 million for the six months ended 30 June 2009 to RMB6,389 million. Gross profit margin of engineering and construction business increased to 9.02% for the six months ended 30 June 2010 from 8.60% for the six months ended 30 June 2009. The increase is mainly due to the fact that the municipal construction, infrastructure and other non-metallurgical projects contributed more revenue and higher gross profit margin to the Company as compared with last year. At the same time, the Company continues to put more efforts in cost control in operation, thus saving the raw materials and labour costs.

Management Discussion and Analysis

Selling and marketing expenses. Selling and marketing expenses incurred by the engineering and construction business for the six months ended 30 June 2010 increased by RMB95 million or 41.67% from RMB228 million for the six months ended 30 June 2009 to RMB323 million. The increase in selling and marketing expenses was mainly attributable to our increased spending on sales and marketing development as a result of the growth of our business.

Administrative expenses. Administrative expenses incurred by the engineering and construction business for the six months ended 30 June 2010 increased by RMB411 million or 17.89% from RMB2,297 million for the six months ended 30 June 2009 to RMB2,708 million. The increase in administrative expenses was mainly attributable to the increase in labour cost as a result of more business activities.

Other income and gains/(expenses). Other income and gains for the engineering and construction business for the six months ended 30 June 2010 decreased by RMB189 million or 68.23% from RMB277 million for the six months ended 30 June 2009 to RMB88 million. The decrease was primarily due to other income of RMB110 million in 2009 generated from the excess in fair value of the Company's share of identifiable net assets acquired over the cost of acquisition. No such transaction occurred in 2010.

Segment result. Segment result of the engineering and construction business for the six months ended 30 June 2010 increased by RMB39 million or 1.14% from RMB3,407 million for the six months ended 30 June 2009 to RMB3,446 million.

2. Equipment manufacturing

The financial information of equipment manufacturing business in this section is presented before elimination of inter-segment transactions and does not include unallocated cost.

The following table sets forth the principal result information for the equipment manufacturing business for six months ended 30 June 2010 and the reporting period for the six months ended 30 June 2009.

	For the Six Months Ended 30 June	
	2010 (RMB million)	2009 (RMB million)
Segment revenue	4,618	4,375
Cost of sales	(4,301)	(3,856)
Gross profit	317	519
Selling and marketing expenses	(86)	(64)
Administrative expenses	(341)	(280)
Other income and gains/(expenses)	64	92
Segment result	(46)	267
Depreciation and amortisation	168	96

Management Discussion and Analysis

Segment revenue. Segment revenue from the equipment manufacturing business for the six months ended 30 June 2010 increased by RMB243 million or 5.55% from RMB4,375 million for the six months ended 30 June 2009 to RMB4,618 million. Leveraging on the technological edges it has developed from its experiences in metallurgical engineering and construction, the Company has increased its market share in the equipment manufacturing business through industrialization of its core technology and a product-oriented strategy. The Company has formed a relatively comprehensive industry chain in the metallurgical equipment manufacturing industry which covers research, design, testing and manufacturing. This has increased the ability of the Company to accelerate industrialization of core technologies and has built a foundation for the rapid development of its equipment manufacturing business.

Cost of sales and gross profit. Cost of sales incurred by the equipment manufacturing business for the six months ended 30 June 2010 increased by RMB445 million or 11.54% from RMB3,856 million for the six months ended 30 June 2009 to RMB4,301 million. Percentage of cost of sales against segment revenue increased to 93.14% for the six months ended 30 June 2010 from 88.14% for the six months ended 30 June 2009.

Gross profit of the equipment manufacturing business for the six months ended 30 June 2010 decreased by RMB202 million or 38.92% from RMB519 million for the six months ended 30 June 2009 to RMB317 million. Gross profit margin of the equipment manufacturing business decreased to 6.86% for the six months ended 30 June 2010 from 11.86% for the six months ended 30 June 2009. The decrease is mainly attributable to the negative gross profit as a result of the trial operation of Capital Engineering and Research Incorporation Co., Ltd (中冶京誠(營口)裝備製造技術有限公司), the Company's subsidiary, which had only commenced since the second half of 2009. As the market is still under development upon commencement of the new production line, the product price was relatively low and could not cover the cost incurred.

Selling and marketing expenses. Selling and marketing expenses incurred by the equipment manufacturing business for the six months ended 30 June 2010 increased by RMB22 million or 34.38% from RMB64 million for the six months ended 30 June 2009 to RMB86 million.

Administrative expenses. Administrative expenses incurred by the equipment manufacturing business for the six months ended 30 June 2010 increased by RMB61 million or 21.79% from RMB280 million for the six months ended 30 June 2009 to RMB341 million.

Other income and gains/(expenses). Other income and gains from the equipment manufacturing business for the six months ended 30 June 2010 decreased by RMB28 million or 30.43% from RMB92 million for the six months ended 30 June 2009 to RMB64 million.

Segment result. Segment result of the equipment manufacturing business for the six months ended 30 June 2010 decreased by RMB313 million or 117.23% from RMB267 million for the six months ended 30 June 2009 to -RMB46 million.

Management Discussion and Analysis

3. Resources development

The financial information of the resources development business in this section is presented before elimination of inter-segment transactions and does not include unallocated cost.

The following table sets forth the principal result information for the resources development business for the six months ended 30 June 2010 and the reporting period for the six months ended 30 June 2009.

	For the Six Months Ended 30 June	
	2010 (RMB million)	2009 (RMB million)
Segment revenue	4,327	3,061
Cost of sales	(3,763)	(2,616)
Gross profit	564	445
Selling and marketing expenses	(61)	(38)
Administrative expenses	(307)	(280)
Other income and gains/(expenses)	(4)	109
Segment result	192	236
Depreciation and amortisation	314	260

Segment revenue. Segment revenue of the resources development business for the six months ended 30 June 2010 increased by RMB1,266 million or 41.36% from RMB3,061 million for the six months ended 30 June 2009 to RMB4,327 million. The increase is mainly attributable to the increase in sales volume and average sales price of the products of our subsidiary MCC Huludao Nonferrous Metals Group Co., Ltd. and the increase in the sales volume of other products of the Company such as polysilicon and copper-gold.

Cost of sales and gross profit. Cost of sales incurred by the resources development business for the six months ended 30 June 2010 increased by RMB1,147 million or 43.85% from RMB2,616 million for the six months ended 30 June 2009 to RMB3,763 million. Percentage of the cost of sales in revenue for the six months ended 30 June 2010 increased from 85.46% for the six months ended 30 June 2009 to 86.97%.

Gross profit of the resources development business for the six months ended 30 June 2010 increased by RMB119 million or 26.74% from RMB445 million for the six months ended 30 June 2009 to RMB564 million. Gross profit margin of the resources development business for the six months ended 30 June 2010 decreased from 14.54% for the six months ended 30 June 2009 to 13.03%. The decrease is mainly attributable to the increase in raw material procurement costs.

Management Discussion and Analysis

Selling and marketing expenses. Selling and marketing expenses incurred by the resources development business for the six months ended 30 June 2010 increased by RMB23 million or 60.53% from RMB38 million for the six months ended 30 June 2009 to RMB61 million.

Administrative expenses. Administrative expenses incurred by the resources development business for the six months ended 30 June 2010 increased by RMB27 million or 9.64% from RMB280 million for the six months ended 30 June 2009 to RMB307 million.

Other income and gains/(expenses). Other expenses of the resources development business for the six months ended 30 June 2010 decreased by RMB113 million or 103.67% from RMB109 million of other income and gains for the six months ended 30 June 2009 to RMB4 million of other expenses for the six months ended 30 June 2010, mainly attributable to the decrease in other income as a result of the decrease in government grants.

Segment result. Segment result of the resources development business for the six months ended 30 June 2010 decreased by RMB44 million or 18.64% from RMB236 million for the six months ended 30 June 2009 to RMB192 million.

4. Property development business

The financial information of the property development business in this section is presented before elimination of inter-segment transactions and does not include unallocated cost.

The following table sets forth the principal result information for the property development business for the six months ended 30 June 2010 and the reporting period for the six months ended 30 June 2009.

	For the Six Months Ended 30 June	
	2010 (RMB million)	2009 (RMB million)
Segment revenue	7,725	1,831
Cost of sales	(6,278)	(1,501)
Gross profit	1,447	330
Selling and marketing expenses	(89)	(32)
Administrative expenses	(294)	(91)
Other income and gains/(expenses)	36	21
Segment result	1,100	228
Depreciation and amortisation	16	9

Management Discussion and Analysis

Segment revenue. Segment revenue of the property development business for the six months ended 30 June 2010 increased by RMB5,894 million or 321.90% from RMB1,831 million for the six months ended 30 June 2009 to RMB7,725 million. The increase is mainly attributable to the sales and recognition of revenue of various projects, including commodity properties, primary land development and social welfare housing projects for the six months ended 30 June 2010. In addition, continuing rise in sales prices of properties from January to June 2010 also contributed to the revenue growth of our property development business.

Cost of sales and gross profit. Cost of sales incurred from the property development business for the six months ended 30 June 2010 increased by RMB4,777 million or 318.25% from RMB1,501 million for the six months ended 30 June 2009 to RMB6,278 million. Percentage of the cost of sales against segment revenue for the six months ended 30 June 2010 decreased from 81.98% for the six months ended 30 June 2009 to 81.27%.

Gross profit of the property development business for the six months ended 30 June 2010 increased by RMB1,117 million or 338.48% from RMB330 million for the six months ended 30 June 2009 to RMB1,447 million. Gross profit margin of the property development business for the six months ended 30 June 2010 increased from 18.02% for the six months ended 30 June 2009 to 18.73%, mainly attributable to more revenue contribution from projects with higher gross profit in January to June 2010.

Selling and marketing expenses. Selling and marketing expenses incurred by the property development business for the six months ended 30 June 2010 increased by RMB57 million or 178.13% from RMB32 million for the six months ended 30 June 2009 to RMB89 million.

Administrative expenses. Administrative expenses incurred by the property development business for the six months ended 30 June 2010 increased by RMB203 million or 223.08% from RMB91 million for the six months ended 30 June 2009 to RMB294 million. The increase was primarily due to the increase in labor cost and office expenses as a result of more business activities.

Other income and gains/(expenses). Other income and gains from the property development business for the six months ended 30 June 2010 amounted to RMB36 million, representing an increase of RMB15 million or 71.43% as compared with RMB21 million for the six months ended 30 June 2009.

Segment result. Segment result of the property development business for the six months ended 30 June 2010 increased by RMB872 million or 382.46% from RMB228 million for the six months ended 30 June 2009 to RMB1,100 million.

Management Discussion and Analysis

5. Other businesses

The financial information of the other businesses in this section is presented before elimination of inter-segment transactions and does not include unallocated cost.

The following table sets forth the principal result information for other businesses for the the six months ended 30 June 2010 and the reporting period for the six months ended 30 June 2009.

	For the Six Months Ended 30 June	
	2010 (RMB million)	2009 (RMB million)
Segment revenue	3,236	1,083
Cost of sales	(2,941)	(945)
Gross profit	295	138
Selling and marketing expenses	(35)	(25)
Administrative expenses	(60)	(25)
Other income and gains/(expenses)	20	12
Segment result	220	100
Depreciation and amortisation	23	11

Segment revenue. Segment revenue of the other businesses for the six months ended 30 June 2010 increased by RMB2,153 million or 198.80% from RMB1,083 million for the six months ended 30 June 2009 to RMB3,236 million. Segment revenue of the other businesses is mainly generated from the import and export and consultancy services. The increase was mainly attributable to the increase of business activities as a result of economic recovery.

Cost of sales and gross profit. Cost of sales incurred from the other businesses for the six months ended 30 June 2010 increased by RMB1,996 million or 211.22% from RMB945 million for the six months ended 30 June 2009 to RMB2,941 million. Percentage of the cost of sales against segment revenue for the six months ended 30 June 2010 increased from 87.26% for the six months ended 30 June 2009 to 90.88%.

Gross profit of the other businesses for the six months ended 30 June 2010 increased by RMB157 million or 113.77% from RMB138 million for the six months ended 30 June 2009 to RMB295 million. Gross profit margin of the other businesses for the six months ended 30 June 2010 decreased from 12.74% for the six months ended 30 June 2009 to 9.12%, mainly because the increase in cost of sales exceeded the increase in revenue.

Selling and marketing expenses. Selling and marketing expenses incurred from the other businesses for the six months ended 30 June 2010 increased by RMB10 million or 40.00% from RMB25 million for the six months ended 30 June 2009 to RMB35 million.

Management Discussion and Analysis

Administrative expenses. Administrative expenses incurred from the other businesses for the six months ended 30 June 2010 increased by RMB35 million or 140.00% from RMB25 million for the six months ended 30 June 2009 to RMB60 million, mainly attributable to an increase in labour cost and office expenses as a result of more business activities from the economic recovery.

Other income and gains/(expenses). Other income and gains of the other businesses for the six months ended 30 June 2010 increased by RMB8 million or 66.67% from RMB12 million for the six months ended 30 June 2009 to RMB20 million.

Segment result. Segment result of the other businesses for the six months ended 30 June 2010 increased by RMB120 million or 120.00% from RMB100 million for the six months ended 30 June 2009 to RMB220 million.

(IV) LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have been cash generated from operations and various short-term and long-term bank borrowings and lines of credit, as well as equity contributions from Shareholders. Our liquidity requirements involve primarily our working capital needs, purchases of property, plant and equipment, and servicing our loans.

We have historically met our working capital and other liquidity requirements principally from the cash generated from operations, while financing the remainder primarily through bank borrowings. Since its public offerings, the Company has further increased its financing flexibility in the financial markets.

1. Information on cash flow

The following cash flow information is extracted from the unaudited condensed consolidated cash flow statement of the Company for the six months ended 30 June 2010 and the six months ended 30 June 2009.

	For the Six Months Ended 30 June	
	2010 (RMB million)	2009 (RMB million)
Net cash used in operating activities	(10,713)	(2,256)
Net cash used in investing activities	(4,940)	(8,869)
Net cash generated from financing activities	17,508	12,011
Net increase in cash and cash equivalents	1,855	886
Cash and cash equivalents at the beginning of the period	44,740	26,209
Exchange losses on cash and cash equivalents	(124)	(46)
Cash and cash equivalents at the end of the period	46,471	27,049

Management Discussion and Analysis

2. Cash flows from operating activities

For the six months ended 30 June 2010, the Company's net cash used in operating activities amounted to RMB10,713 million as compared with net cash used in operating activities of RMB2,256 million for the six months ended 30 June 2009. The increase of RMB8,457 million in net cash used in operating activities was mainly due to the advance payment by the subsidiaries of the Company for the construction of projects of roads and bridges, public facilities and social welfare housing in the period from January to June 2010, which were usually BT (Build-Transfer, a business model in which the contractor undertakes the financing of construction expenditures and transfers the project back to the project proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in installments pursuant to relevant agreements) or BOT projects vigorously carried out by the Company's subsidiaries through cooperation with governments. Therefore, the Company had a large cash outflow, resulting in negative cash flows from operating activities.

3. Cash flows from investing activities

For the six months ended 30 June 2010, the Company's net cash used in investing activities amounted to RMB4,940 million as compared to RMB8,869 million for the six months ended 30 June 2009. The net cash flow used in investing activities decreased by RMB3,929 million, which was mainly due to the decrease in cash payment for establishing new subsidiaries and the purchases of property, plant and equipment and land use rights.

4. Cash flows from financing activities

For the six months ended 30 June 2010, the Company's net cash generated from financing activities amounted to RMB17,508 million, as compared to RMB12,011 million for the six months ended 30 June 2009. The net cash flow increased by RMB5,497 million, which was mainly due to the increase in the finance to the Company by way of loans and short-term financing bills in the period from January to June 2010.

Management Discussion and Analysis

5. Capital expenditures

The Company incurred capital expenditures for resources development and advanced processing, construction of production facilities and the purchase of various equipment.

The following table sets forth the capital expenditures by segment for the six months ended 30 June 2010 and 2009 respectively.

	For the Six Months Ended 30 June	
	2010 (RMB million)	2009 (RMB million)
Engineering and construction	1,635	972
Equipment manufacturing	713	1,460
Resources development	2,651	2,690
Property development	56	144
Other businesses	834	11
Total	5,889	5,277

The Company's capital expenditures for the six months ended 30 June 2010 amounted to RMB5,889 million, representing an increase of RMB612 million or 11.60% from RMB5,277 million for the six months ended 30 June 2009.

6. Working capital

Trade receivables and trade payables.

The following table sets forth the turnover days of the average trade receivables and the turnover days of the average trade payables of the Company for the six months ended 30 June 2010 and the year ended 31 December 2009.

	For the Six Months Ended 30 June 2010 days	For the Year Ended 31 December 2009 days
The turnover days of the average trade receivables ⁽¹⁾	90	82
The turnover days of the average trade payables ⁽²⁾	119	111

The turnover days of the average trade receivables for the six months ended 30 June 2010 was 8 days more than the turnover days of the average trade receivables for the year ended 31 December 2009, mainly attributable to the increase in trade receivables as most of the receivables from proprietors are generally settled in the second half of the year.

Management Discussion and Analysis

The turnover days of the average trade payables for the six months ended 30 June 2010 was 8 days more than the turnover days of the average trade payables for the year ended 31 December 2009, mainly attributable to the increase in trade payables as most of the payments to subcontractors and suppliers are generally paid in the second half of the year.

- (1) The average trade receivables are the sum of opening balance and the closing balance of trade receivables divided by two. The turnover days of the average trade receivables are the average trade receivables divided by revenue and multiplied by 365 (for half year, multiply by 180).
- (2) The average trade payables are the sum of opening balance and the closing balance of trade payables divided by two. The turnover days of the average trade payables are the average trade payables divided by cost of sales and multiplied by 365 (for half year, multiply by 180).

The following table sets forth the aging analysis of trade receivables as at 30 June 2010 and 31 December 2009.

	As at 30 June 2010 (RMB million)	As at 31 December 2009 (RMB million)
Less than one year	36,801	32,396
One to two years	6,299	5,940
Two to three years	2,068	1,927
Three to four years	798	471
Four to five years	293	252
Over five years	722	655
Trade receivable-gross	46,981	41,641
Less: provision for impairment	(3,156)	(2,835)
Trade receivable-net	43,825	38,806

Generally, approximately 80% of our trade receivables were aged less than one year. We have continually enhanced our management of trade receivables in order to reduce the exposure to impairment risks. In addition, after fully considering the nature of the trade receivables and their collectability, we make provision for impairment of certain trade receivables in order to ensure the quality of our assets. The impairment with about 50%, 80% and 100% would be accrued for the receivables with aging of three to four years, four to five years and over five years respectively.

As at 30 June 2010, there was a significant change in trade receivables of one to two years and of two to three years as compared with those as at 31 December 2009, mainly due to the BT or BOT projects for roads and bridges, public facilities and social welfare housing projects vigorously carried out by the Company's subsidiaries in the period from January to June 2010 through cooperation with governments, which resulted in a significant increase in trade receivables as compared with last year.

Management Discussion and Analysis

The following table sets forth the aging analysis of trade payables as at 30 June 2010 and 31 December 2009.

	As at 30 June 2010 (RMB million)	As at 31 December 2009 (RMB million)
Within one year	42,598	39,638
One to two years	8,724	7,574
Two to three years	2,786	1,818
Over three years	1,568	1,250
Total	55,676	50,280

7. Retentions

The following table sets forth the book value of retentions as at 30 June 2010 and 31 December 2009.

	As at 30 June 2010 (RMB million)	As at 31 December 2009 (RMB million)
Current portion	1,029	831
Non-current portion	786	797
Total	1,815	1,628

8. Assets-liabilities ratio

The following table sets forth the assets-liabilities ratio as at 30 June 2010 and 31 December 2009.

	As at 30 June 2010 (RMB million)	As at 31 December 2009 (RMB million)
Total liabilities	212,733	185,773
Total assets	260,223	229,563
Assets-liabilities ratio	81.75%	80.92%

The assets-liabilities ratio of the Company increased by 0.83% from 80.92% as at 31 December 2009 to 81.75% as at 30 June 2010.

Management Discussion and Analysis

V. INDEBTEDNESS

1. Borrowings

The following table sets forth the Company's total borrowings as at 30 June 2010 and 31 December 2009.

	As at 30 June 2010 <i>RMB million</i>	As at 31 December 2009 <i>RMB million</i>
Non-current		
Long-term bank borrowings		
— Secured (a)	11,273	9,349
— Unsecured	23,186	19,416
	34,459	28,765
Other long-term borrowings		
— Secured (a)	350	722
— Unsecured	6,312	3,392
— Debentures (b)	3,500	3,500
	10,162	7,614
Total non-current borrowings	44,621	36,379
Current		
Short-term bank borrowings		
— Secured (a)	5,528	10,419
— Unsecured	23,593	13,542
	29,121	23,961
Other short-term borrowings		
— Unsecured	2,552	703
— Debentures (c)	3,950	—
	6,502	703
Current portion of long-term bank borrowings		
— Secured (a)	2,286	2,430
— Unsecured	3,968	1,014
	6,254	3,444

Management Discussion and Analysis

	As at 30 June 2010 RMB million	As at 31 December 2009 RMB million
Current portion of other long-term borrowings		
— Secured (a)	3,722	3,500
Total current borrowings	45,599	31,608
Total borrowings	90,220	67,987

- (a) Secured borrowings of the Company were secured by the Company's property, plant and equipment, land use rights and properties under development and guarantees provided by certain related parties.
- (b) As approved by the National Development and Reform Commission, the Company issued debentures in July 2008 at par value of RMB3,500 million with a maturity of ten years from issuance. The debentures are unsecured, bear interests at a fixed rate of 6.1% per annum for the first five years and at prevailing market interest rate for the remaining five years.
- (c) As approved by the People's Bank of China, the Company issued short-term financing bills in May 2010 at par value of RMB4,000 million, with a maturity of one year from issuance. The debentures are unsecured, and bear interests at a fixed rate 2.73% per annum, out of which RMB50 million was issued to a subsidiary of the Company.

2. Financial Guarantee

The nominal values of the financial guarantees issued by the Company as at 30 June 2010 and 31 December 2009 are analysed as below:

	As at 30 June 2010 RMB million	As at 31 December 2009 RMB million
Outstanding guarantees (i)		
— Third parties	533	1,596
— Related parties	100	50
Total	633	1,646

- (i) The Company has acted as the guarantor mainly for various external borrowings made by certain associates and certain third parties. The third parties are mainly the companies in which we hold small portion of equity interest or our long-term suppliers.

Management Discussion and Analysis

3. Contingencies

	As at 30 June 2010 RMB million	As at 31 December 2009 <i>RMB million</i>
Pending lawsuits/arbitrations	359	462

The Company has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision, as set out in Note 24 to the unaudited condensed consolidated interim financial information, have been made for the probable losses to the Company on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for pending lawsuits as the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

VI. MARKET RISKS

Our activities are exposed to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

1. Interest Rate Risk

Our exposure to interest rate risk relates principally to our restricted cash, cash and cash equivalents, trade and other receivables and borrowings. Restricted cash, cash and cash equivalents, trade and other receivables and borrowings at variable rates expose us to cash flow interest-rate risk, and those at fixed rates expose us to fair value interest-rate risk.

To mitigate the impact of interest rate fluctuations, we continually assess and monitor the exposure to interest rate risk and entered into fixed rate borrowings arrangements.

2. Foreign Exchange Risk

The functional currency of a majority of the entities of our Company is RMB and most of the transactions are settled in RMB. However, there were also revenue from our foreign operations, purchases of machinery and equipment from overseas suppliers and certain expenses settled in foreign currencies.

Management Discussion and Analysis

Our exposure to foreign exchange risk relates principally to its trade and other receivables, cash and cash equivalents, trade and other payables and borrowings that were denominated mainly in U.S. dollars and Hong Kong dollars.

To mitigate the impact of exchange rate fluctuations, we continually assess and monitor the exposure to foreign exchange risk. We currently have no foreign exchange hedging policy. However, the management will monitor the exposure to foreign exchange risk and consider hedging the exposure to material foreign exchange risk when necessary.

3. Price Risk

The Company is exposed to equity securities price risk because the Company's equity securities investments are classified as available-for-sale financial assets or financial assets at fair value through profit or loss which are required to be stated at their fair values.

4. Credit Risk

The carrying amounts of cash and cash equivalents, restricted cash, held-to-maturity financial assets, trade and other receivables (except for prepayment and staff advances) and the carrying value of guarantees provided for liabilities, represent the Company's main exposure to credit risk in relation to those financial assets.

Substantially all of the Company's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality.

The Company has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Company performs periodic credit evaluations of our customers. Normally the Company does not require collateral from trade debtors.

5. Liquidity Risk

The management adopts prudent liquidity risk management and maintains sufficient cash and the availability of funding through an adequate amount of credit facilities. The Company aims to maintain flexibility in funding by ensuring that credit lines are available. The Company finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

Directors, Supervisors and Senior Management

(I) CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Mr. Liu Benren resigned as the Chairman, non-executive Director and relevant positions in the Board of the Company on 9 March 2010. Pursuant to Article 76 of the Articles of Association, the Parent, the controlling shareholder of the Company, nominated Mr. Jing Tianliang as the non-executive Director of the Company. The proposal had been approved and passed at the 2009 AGM. As resolved at the fourteenth meeting of the first session of the Board held on 29 June 2010, Mr. Jing Tianliang was appointed as the Chairman of the Company.

Mr. Jing Tianliang (經天亮), aged 65, a committee member of the Eleventh National Political Consultative Conference, is the Chairman and non-executive Director of the Company and concurrently the chairman of China Metallurgical Group Corporation (中國冶金科工集團有限公司) and the external director of Baosteel Group Corporation (寶鋼集團有限公司). Mr. Jing is a professor-level senior engineer who graduated from Xi'an Mining Institute with an associate degree in electrical and mechanical engineering and is entitled to the special allowance granted by the State Council of the PRC. Mr. Jing has served as the deputy director general of the Ministry of Coal Industry, the Ministry of Energy Resources and China National Coal Corporation* (中國統配煤礦總公司), the chairman and general manager of China Coal Industrial Import and Export Corporation* (中國煤炭工業進出口集團公司), the director general of the General Office of the Administration of Coal Industry, the director general of the General Office and the Department of Foreign Affairs of the State Administration of Coal Industry, the general manager of China National Coal Group Corporation* (中國中煤能源集團有限公司) and the chairman of China Coal Energy Company Limited (中國中煤能源股份有限公司).

The term of appointment of Mr. Jing commenced from 29 June 2010 to the date of expiration of the term of the current session of the Board in November 2011. Mr. Jing's remuneration would be determined by the Board on the basis of Mr. Jing's performance in the Company and approved by the Shareholders in the relevant general meeting.

During the Reporting Period, Mr. Wen Keqin, the independent non-executive Director of the Company, retired as the vice president of the Chinese Grain Economics Association and was appointed as the consultant of that association.

Save as disclosed above, for the six months ended 30 June 2010, there was no other change of Directors, Supervisors and senior management.

(II) DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2010, as far as the Company is aware, none of the Directors, Supervisors and chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO) which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or otherwise required to be notified by the Directors and Supervisors to the Company and the Hong Kong Stock Exchange pursuant to the Model Code nor have they been granted the right to acquire any shares or debentures of the Company or any of its associated corporations.

Directors, Supervisors and Senior Management

(III) EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2010, the Company employed a total of 121,431 staff.

The breakdown of the composition of the current employees by profession is set out in the table below:

Profession	Number of Current Employees	Percentage
Engineering and construction	99,627	82.04%
Resources development	10,288	8.47%
Equipment manufacturing	11,007	9.06%
Property development and others	509	0.43%
Total	121,431	100%

The Company emphasises the importance of recruiting, inspiring, developing and retaining talents and pays close attention to the fairness of its remuneration system. The Company implemented a market-based and performance-linked remuneration system. Employees' remuneration is comprised of basic salary, allowance and bonus. In accordance with applicable PRC laws, the Company entered into a labour contract with each of its employees. Labour contracts include provisions such as contract term, wages, working hours, break and vacation, employee benefits, social securities, health and safety, confidentiality obligations and grounds for termination.

In accordance with applicable regulations, the Company established the pension contribution plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance. In accordance with applicable PRC laws and regulations, the amount of contributions of the aforesaid social securities is strictly based on state, provincial and municipal requirements of the PRC. The Company also established an employee housing fund according to applicable PRC regulations.

The Company supports and invests in continuing education programs for the management staff and technical staff. In addition to sending some of the top managers overseas for training and offering annual project management training for its project managers, the Company also established a talents institute and an occupation institute offering management courses and occupational skills training according to the demand for expertise with reference to the Company's development, as part of its commitment to ever upgrade employees' knowledge and skills.

Corporate Governance

During the Reporting Period, as a company dual listed in Mainland China and Hong Kong, the Company standardized its operation and had been seeking to enhance its corporate governance and the transparency of its information disclosure in strict compliance with the requirements of the PRC Company Law, Securities Law, the Hong Kong Listing Rules and relevant laws and regulations. The Board has reviewed the corporate governance documentation of the Company and is of the opinion that the Company had complied with the code provisions of the Corporate Governance Code for the six months ended 30 June 2010. None of the Directors is aware of any information that reasonably revealed that there was any non-incompliance with the code provisions of the Corporate Governance Code during any time of the Reporting Period.

1. Amendments to the Articles of Association of the Company were considered and approved at the 2009 AGM to reflect the changes in the Company's principal business place in the PRC and the increase in the registered and paid-up capital of the Company as a result of its A Share Offering and Global Offering.
2. Mr. Liu Benren, the ex-Chairman of the Company, tendered his written resignation from the position of non-executive Director, Chairman and relevant positions in the Board to the Board on 9 March 2010. Upon nomination by the Parent, the controlling shareholder of the Company, the appointment of Mr. Jing Tianliang as the non-executive Director of the Company was considered and approved at the 2009 AGM. The appointment of Mr. Jing Tianliang as the Chairman of the Company was also resolved upon at the fourteenth meeting of the first session of the Board on 29 June 2010.
3. On 29 June 2010, the fourteenth meeting of the first session of the Board considered and approved the Proposal on Adjustments to the Composition of Special Committees under the Board of MCC (「關於調整中國中冶董事會專門委員會組成人員的議案」). The Board agreed to the amendments to the terms in relation to the number of members of special committees set out in the Work Rules for Strategy Committee of the Board of Directors of Metallurgical Corporation of China Ltd. (「中國冶金科工股份有限公司董事會戰略委員會工作細則」), the Work Rules for Nomination Committee of the Board of Directors of Metallurgical Corporation of China Ltd. (「中國冶金科工股份有限公司董事會提名委員會工作細則」) and the Work Rules for Remuneration Committee of the Board of Directors of Metallurgical Corporation of China Ltd. (「中國冶金科工股份有限公司董事會薪酬與考核委員會工作細則」) and adjusted the composition of members of the special committees under the Board. The composition of each special committee under the Board is as follows:
 - (1) the Strategy Committee comprises seven Directors, namely Mr. Jing Tianliang, Mr. Wang Weimin, Mr. Shen Heting, Mr. Guo Wenqing, Mr. Liu Li, Mr. Chen Yongkuan and Mr. Cheung Yukming. Mr. Jing Tianliang serves as the chairman;
 - (2) the Finance and Audit Committee comprises five Directors, namely Mr. Liu Li, Mr. Jing Tianliang, Mr. Jiang Longsheng, Mr. Wen Keqin and Mr. Cheung Yukming. Mr. Liu Li serves as the chairman;
 - (3) the Nomination Committee comprises five Directors, namely Mr. Wen Keqin, Mr. Wang Weimin, Mr. Shen Heting, Mr. Jiang Longsheng and Mr. Chen Yongkuan. Mr. Wen Keqin serves as the chairman;
 - (4) the Remuneration Committee comprises five Directors, namely Mr. Jiang Longsheng, Mr. Jing Tianliang, Mr. Wen Keqin, Mr. Liu Li and Mr. Chen Yongkuan. Mr. Jiang Longsheng serves as the chairman.

Corporate Governance

4. In order to further regulate its management of insider information, facilitate compliance of annual reports preparation and better ensure the accuracy of information disclosed in annual reports, the Company formulated the Management System for Insider Information of Metallurgical Corporation of China Ltd. (「中國冶金科工股份有限公司內幕信息管理制度」), the Annual Report Work Manual for Finance and Audit Committee of the Board of Directors of Metallurgical Corporation of China Ltd. (「中國冶金科工股份有限公司董事會財務與審計委員會年報工作制度」), the Annual Report Work Manual for Independent Directors of Metallurgical Corporation of China Ltd. (「中國冶金科工股份有限公司獨立董事年報工作制度」) as well as the Inquiry System for Material Mistakes in Information Disclosure of Annual Report of Metallurgical Corporation of China Ltd. (「中國冶金科工股份有限公司年報信息披露重大差錯責任追究制度」), all of which were considered and approved at the eleventh meeting of the first session of the Board in 2010.
5. In an effort to strengthen its management on external guarantees to better mitigate risks, the Company amended the Management Manual on External Guarantees of Metallurgical Corporation of China Ltd. (「中國冶金科工股份有限公司對外擔保管理制度」), which was considered and approved at the 2009 AGM.
6. The fifteenth meeting of the first session of the Board held on 23 August 2010 and 24 August 2010 considered and approved the Proposal on Establishment of the Risk Management Committee under the Board of MCC and the Establishment of and Amendment to the Work Rules for the Relevant Special Committees under the Board of MCC (《關於成立中國中冶董事會風險管理委員會及制(修)訂相關專門委員會議事規則的議案》) in response to the recent guidance issued by the relevant PRC ministries and regulatory authorities.

The Risk Management Committee comprises 7 Directors, namely Mr. Jing Tianliang, Mr. Wang Weimin, Mr. Shen Heting, Mr. Jiang Longsheng, Mr. Liu Li, Mr. Chen Yongkuan and Mr. Cheung Yukming. Mr. Jing Tianliang serves as the chairman of the Risk Management Committee. The overarching objectives of the establishment of the Risk Management Committee are to improve the risk management and internal control system, enhance risk control ability and consummate corporate governance structure of the Company. Upon establishment of the Risk Management Committee, the Finance and Audit Committee will cease to be responsible for supervising the risk management and internal control systems of the Company. Instead, the roles will be taken up by the Risk Management Committee. In general, the Risk Management Committee will be responsible for, among other things, formulating the risk management and internal control systems of the Company, controlling risks of any material events, reviewing and analyzing the evaluation results of internal control as well as controlling and overseeing specific risks assumed by the Company.

In addition, the Company had adopted the Model Code as the codes governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had complied with the required standard provisions and requirements provided by the Model Code throughout the period for the six months ended 30 June 2010.

Significant Events

(I) INVESTMENT OF THE COMPANY

1. Investment of the proceeds from the initial public offerings

The Company raised net proceeds of RMB18,359 million in total through the A Share Offering in September 2009. During the Reporting Period, the proceeds raised through the A Share Offering used by the Company aggregated to RMB1,209 million. As at the end of the Reporting Period, the A Share proceeds already used by the Company amounted to RMB9,527 million, while the unused portion amounted to RMB8,892 million (including accrued interest). A Share proceeds raised by the Company were used for the purposes in line with those set out in the A Share Prospectus. The temporarily unused A Share proceeds have been deposited in the account designated for raised proceeds of the Company and will continue to be appropriated for relevant projects financed by proceeds undertaken by the Company.

The Company raised net proceeds of HK\$15,585 million in total through the H Share Offering in September 2009. During the Reporting Period, the proceeds raised through the H Share Offering used by the Company aggregated to RMB3,278 million. As at the end of the Reporting Period, the H Share proceeds already used amounted to HK\$6,244 million, while the unused portion amounted to HK\$9,342 million (including accrued interest). H Share proceeds raised by the Company were used for the purposes in line with those set out in the H Share Prospectus. The temporarily unused H Share proceeds have been deposited in the account designated for raised proceeds of the Company.

Significant Events

2. Projects undertaken to be financed by proceeds from the initial public offerings

Use of proceeds in projects undertaken to be financed by A Share proceeds is shown in the following table:

Unit: 0'000 Currency: RMB

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Actual	Is it up to schedule	Project progress	Estimated returns	Revenue generated	Is it in line with estimated returns	Explanation of projects
			amount of proceeds invested						falling behind schedule or failing to achieve returns as expected
Afghanistan Aynak copper mine project	No	85,000.00	0	No	In progress	Internal rate of return of 11.01%	Cannot be confirmed until completion of the project	—	Under construction
Ramu nickel laterite mine project	No	250,000.00	250,000.00	Yes	In progress	Internal rate of return of 12.67%	Cannot be confirmed until completion of the project	—	Under construction
The innovation base project of the National Steel Structures Engineering Technology Research Center	No	150,000.00	25,587.47	No	In progress	N/A	N/A	—	
Acquisition of equipment for engineering and construction and research and development	No	500,000.00	36,009.30	No	In progress	Internal rate of return of 13.21%	Cannot be confirmed until completion of the project	—	Adjustment to the specific breakdown of categories of equipment was approved at the first extraordinary general meeting of the Company held on 16 March 2010

Significant Events

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Actual amount of proceeds invested	Is it up to schedule	Project progress	Estimated returns	Revenue generated	Is it in line with estimated returns	Explanation of projects falling behind schedule or failing to achieve returns as expected
The new project on the manufacturing of forged steel rolling mill and the expansion of the hot processing production capacity in Fuping County, Shaanxi Province	No	64,300.00	0	No	In progress	Internal rate of return of 10.65%	Cannot be confirmed until completion of the project	—	Under construction
The project in CaoFeidian, Tangshan in relation to 500,000 tons of cold bend steel and steel structures project	No	44,000.00	39,166.87	No	In progress	Internal rate of return of 17.60%	Cannot be confirmed until completion of the project	—	Under construction
The project in relation to an annual production of 400,000 tons of ERW welded pipes by MCC Liaoning Dragon Pipe Industries Co., Ltd. (中冶辽宁龙腾钢管有限公司)	No	34,500.00	1,190.98	No	In progress	Internal rate of return of 20.90%	Cannot be confirmed until completion of the project	—	Under construction
The project in relation to the production base for an annual production of 100,000 tons of quality steel structures (a production line for wind tower tube) in Anshan, Liaoning	No	48,200.00	0	No	Not yet commenced	Internal rate of return of 26.69%	Cannot be confirmed until completion of the project	—	Feasibility study to be re-investigated
Property development project in Gaohang Town, Pudong	No	58,800.00	35,754.94	Yes	In progress	Internal rate of return of 16.35%	Cannot be confirmed until completion of the project	—	Under construction
The property development project of old town area renovation work (Phase II) in Yuan Yang Town, Jing Kai Yuan, North New District, Chongqing	No	50,000.00	14,494.40	Yes	In progress	Internal rate of return of 29.07%	Cannot be confirmed until completion of the project	—	Under construction
Replenishment of working capital and repayment of bank loans	No	400,000.00	400,000.00	Yes	Completed	N/A	N/A	—	N/A
Replenishment of working capital and repayment of bank loans by over-subscription proceeds	No	151,097.24	150,528.24	Yes	Completed	N/A	N/A	—	N/A
Sub-total	—	1,835,897.24	952,732.20	—	—	—	—	—	—

Significant Events

In March 2010, the Proposal for Adjustments to Investment Projects Financed by Part of the Proceeds from the A Share Offering was considered and approved at the first extraordinary general meeting for 2010 of the Company. The Company adjusted the categories of equipment purchase for the Company's engineering and construction business and research & development (a project financed by the proceeds from the A Share Offering), by which mid-small equipments were increased and large rock-soil equipment and large cranes were decreased. However, no changes were incurred as to the amount of A Share proceeds invested for the project. The change of the use of part of the proceeds from the A Share Offering was in compliance with relevant requirements under Rules Governing the Listing of the Stocks on the Shanghai Stock Exchange (「上海證券交易所股票上市規則」) and Regulations for the Management of Proceeds by the Listed Company on the Shanghai Stock Exchange (「上海證券交易所上市公司募集資金管理規定」) and in the interest of the Company and its Shareholders as a whole. The adjusted equipment purchase categories serve the Company's actual needs and market demand better, and are conducive to improve the utilization of equipments and proceeds from A Share Offering, thus promoting the long-term development of the Company.

Use of proceeds in projects undertaken to be financed by H Share proceeds is shown in the following table:

Unit: 0'000 Currency: HK\$

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Actual amount of proceeds invested	Project progress	Revenue generated	Explanation of projects falling behind schedule or failing to achieve returns as expected
Overseas resources development projects	No	Approximately 33% of H Share proceeds	101,433.06	In progress	Cannot be confirmed until completion of the project	Injection period
Overseas construction projects	No	Approximately 45% of H Share proceeds	348,366.93	In progress	Cannot be confirmed until completion of the project	Injection period
Potential acquisitions of overseas resources	No	Approximately 11% of H Share proceeds	1,062.62	In progress	Cannot be confirmed until completion of the project	Injection period
Repayment of bank loans and replenishment of working capital	No	Approximately 11% of H Share proceeds	173,551.66	Completed	N/A	N/A
Sub-total	—	—	624,414.28	—	—	—

Note: The discrepancies between the actual amount of the proceeds invested for each item and the amount of sub-total are mainly due to rounding to 2 decimal places.

Significant Events

3. Investment financed by funds other than the proceeds from the initial public offerings

During the Reporting Period, the projects of significance financed by funds other than the proceeds from the initial public offerings are set out in the table below.

Unit: 0'000 Currency: RMB

Name of project	Project amount	Progress of project	Revenue generated from the project
Jiujiang steel slag zero emission project (九江鋼渣零排放項目)	46,500	The construction of phase I of the project commenced in November 2008 and was put into commercial operation on 10 July 2009. The construction of phase II of the project commenced in early 2010 and was expected to complete in August 2011. As at the end of the Reporting period, the construction of phase II earthworks was completed and orders of major equipment had been made to the suppliers by the main contractor. The invitation for and tendering bids for the project are under process.	Phase I of the project was put into production whilst phase II is under construction and has not generated any revenue

Significant Events

Name of project	Project amount	Progress of project	Revenue generated from the project
Wuxi Xidong Waste Incineration Power Generation Project (無錫錫東垃圾焚燒發電項目)	98,000	Design of the construction drawings and construction of the ancillary facilities outside the plant relating to the project had basically been completed. Executed purchase contracts accounted for approximately 80% of the total amount of purchase planned. Inspection had been conducted on the construction of contracted equipment while price consultation and procurement of remaining electric meters and other equipment are under way. Earthworks of all sub-projects are under construction, of which that of the main plant had basically been completed and equipment such as heat recovery steam generators and incinerators had gradually arrived. No. 1 and No.2 incinerators and steel frames for heat generators had been installed. Installation of No.1 line had basically been completed while that of No.2 is under process.	The project is under construction and has not generated any revenue
Expansion project of phase IV polysilicon technology industrialization with an annual capacity of 2,000 tons of Luoyang China Silicon Hi-tech Corporation (洛陽中矽高科技有限公司)	140,000	Phase I and phase II had been ramped up to their full capacities while phase III had basically been ramped up to the capacity of 2,000 tons. The 2,000-ton earthworks of phase IV had been completed. As at the end of the Reporting Period, the tender and procurement of the equipment were under process.	Phase I, phase II and phase III of the project had been put into operation whereas phase IV is under construction and has not generated any revenue

Significant Events

Name of project	Project amount	Progress of project	Revenue generated from the project
Wuhan electromechanical industrial park project (武漢機電產業園項目)	55,357	The project progressed smoothly. As at the end of the Reporting Period, RMB167.42 million had been invested by self-financing. Phase I of the project was estimated to be put into operation at the end of August 2010 whereas phase II will commence construction in September 2010.	The project is under construction and has not generated any revenue
Xinyu cold-rolled silicon steel project (新余冷軋矽鋼項目)	87,500	The project progressed smoothly. As at the end of the Reporting Period, RMB365.56 million had been invested by self-financing. Phase I of the project was scheduled to commence trial production at the end of September 2010.	The project is under construction and has not generated any revenue
Project of MCC Tiangong (Tianjin) (中冶天工(天津)) equipment production base	35,000	Construction of the main structure of the joint plant of the project had been completed. Installation of production equipment is at peak construction level while the installation of electrical and mechanical pipelines is almost completed.	The project is under construction and has not generated any revenue
Tibet Mengya'a lead-zinc mine project (西藏蒙亞啊鉛鋅礦項目)	36,485	85% of the main construction of the project was completed. Construction of the mine had been completed and production had commenced. Construction of the tailings dam, main construction of the processing plant and construction of accommodation facilities were completed 80%, 85% and 90%, respectively, all of which were scheduled to complete construction and put into trial operation at the end of August 2010.	The project is under construction and has not generated any revenue
Total	498,842	—	—

Significant Events

(II) EXPLANATIONS ON IMPLEMENTATION OF THE PROFIT DISTRIBUTION PLAN AND SHARE INCENTIVE SCHEME DURING THE REPORTING PERIOD

No profit distribution plan or share incentive scheme was implemented during the Reporting Period.

(III) MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company had no new material litigation or arbitration.

(IV) EQUITY INTERESTS IN OTHER LISTED COMPANIES AND FINANCIAL INSTITUTIONS HELD BY THE COMPANY

1. Equity interests in listed companies held by the Company

Name of investee	Initial investment cost <i>(RMB million)</i>	As at 30 June 2010 <i>(RMB million)</i>	As at 31 December 2009 <i>(RMB million)</i>
Panggang Steel & Vanadium	293	432	269
Bank of Communications	57	244	296
KaiDi Electric	3	87	80
Chongqing Department Store	0*	19	19
China CAMC	2	16	13
AJ Corp	2	12	19
Nan Steel Corp	2	11	20
HeBei Steel	6	11	20
Xining Special Steel	1	9	16
Ping An of China	0*	9	11
Tianjin Reality Development	2	4	6
Fushun Special steel	1	2	37
Fountain	0*	1	2
Tande	1	1	1
Chlor-alkali Chemical	1	1	1
Haima Investment	0*	0*	1
Total	371	859	811

Note*: Of an amount less than RMB500,000

Significant Events

2. Equity interests in non-listed financial institutions held by the Company

Name of investee	Initial investment cost (RMB million)	Shareholding percentage of the investee (%)	Book value as at the end of the period (RMB million)	Gains and losses in the Reporting Period (RMB million)	Changes in owner's equity in the Reporting Period (RMB million)
Great Wall Life Insurance Company (中國長城人壽保險有限公司)	30	2.13	30	—	—
Jinzhou City Commercial Bank	30	5	30	—	—
Bank of Huludao (葫蘆島市商業銀行)	29	7.6	29	—	—
Wuhan Urban Commercial Bank (武漢市商業銀行)	28	1.33	28	—	—
BAOSTEEL Finance Co., Ltd. (寶鋼集團財務有限責任公司)	10	2.2	10	1	—
PanGang Group Finance Co., LTD.	4	0.26	4	—	—
Wuhan Iron and Steel (Group) Finance Co., LTD. (武鋼集團財務公司)	2	0.2	2	—	—
Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司)	2	0.02	2	—	—
Shenzhen Fuanda Insurance Agent Company Limited	1	5	1	—	—
Nanjing Traffic Bank (南京交通銀行)	1	1	1	—	—
Wuhan City Hankou Bank Company Limited (武漢市漢口銀行股份有限公司)	0*	1.34	0*	—	—
Total	137	/	137	1	/

Note*: Of an amount less than RMB500,000

Significant Events

(V) TRANSACTION OF ASSETS

1. Acquisition of assets

Unit: 0'000 Currency: RMB

Counter parties or ultimate controlling party	Assets acquired	Date of acquisition	Price of assets acquired	Contribution to the net profit of the listed company from the date of acquisition to the end of the Reporting Period	Contribution to the net profit of the year to the end of the Reporting Period (appropriate for the merger of enterprises under common control)	Are all the property rights of concerning assets transferred to the other party	Are all the claims and liabilities of concerning assets transferred to the related party
Tangsteel (唐山鋼鐵股份有限公司*)	6.25% equity interest in MCC Jingtang Construction Corporation Limited (中冶京唐建設有限公司)	15 January 2010	7,907.18	—	—	Yes	Yes
Pangang Metallurgical Engineering Technology Co., Ltd. (攀鋼冶金工程技術有限公司), Chongqing Iron and Steel Design Institute Co., Ltd. (重慶鋼鐵設計院有限公司), and Sichuan Huazhi Property Development Co., Ltd. (四川華芝房地產開發有限公司)	4.2%, 2.5% and 0.8% equity interests in MCC Shijiu Construction Co., Ltd. (中冶實久建設有限公司) held by Pangang Metallurgical Engineering Technology Co., Ltd. (攀鋼冶金工程技術有限公司), Chongqing Iron and Steel Design Institute Co., Ltd. (重慶鋼鐵設計院有限公司) and Sichuan Huazhi Property Development Co., Ltd. (四川華芝房地產開發有限公司) respectively	22 February 2010	1,685.68	—	—	Yes	Yes
Handan Qingguo Construction Engineering Co., Ltd. (邯鄲市慶國建設工程有限公司)	2.13% equity interest in MCC Huaye Resources Development Co., Ltd.	15 April 2010	652.96	—	—	Yes	Yes
Beijing Tianfu Investment Management Co., Ltd. (北京天富投資管理有限公司)	2.7% equity interest in MCC Chengong Construction Co., Ltd.	1 June 2010	1,559.75	—	—	Yes	Yes

Note*: The acquisition was commenced at the end of 2009 with its consideration paid during the Reporting Period.

2. Disposal of assets

There was no significant disposal of assets of the Company during the Reporting Period.

Significant Events

(VI) SIGNIFICANT CONNECTED TRANSACTION

Beijing Guangyuanli Properties Development Co., Ltd., a wholly-owned subsidiary of MCC Real Estate Co., Ltd. which in turn is a non-wholly-owned subsidiary of the Company, entered into a Sale and Purchase of Commercial Property Agreement (「商品房買賣合同」) with the Parent, the controlling shareholder of the Company on 30 December 2009, pursuant to which it agreed to sell the MCC Tower constructed by it to the Parent at a consideration of RMB2,350,250,000. On 16 March 2010, the resolution of the “Proposed Connected Transaction in respect of the Disposal of MCC Tower by Beijing Guangyuanli Properties Development Co., Ltd.” (「關於北京廣源利房地產開發有限公司銷售中冶大廈所涉關聯／連交易的議案」) was considered and passed at the first extraordinary general meeting convened by the Company to approve the above connected transaction. For details, please refer to the Shareholder’s circular of the Company dated 29 January 2010.

(VII) MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1. Trusteeship, contracting and leasing arrangement

During the Reporting Period, the Company did not enter into any significant trusteeship, contracting and leasing arrangement.

Significant Events

2. Guarantee

Unit: million Currency: RMB

External guarantees provided by the Company (excluding guarantee to controlled subsidiaries)

Guarantor	Relationship between guarantor and the Company		Amount of guarantee	Date of guarantee (Agreement execution date, Commencement date, Expiry date of guarantee)			Type of guarantee	Whether fully fulfilled, Whether overdue, Overdue amount			Whether any counter guarantee available, Whether related party guarantee, Related party relationship		
	guarantor	Guaranteed party		execution date	date of guarantee	Expiry date of guarantee		fully fulfilled	Whether overdue	Overdue amount	counter guarantee available	related party guarantee	Related party relationship
MCC Capital Engineering & Research Incorporation Limited	Non-wholly owned Subsidiary	MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	100	26 November 2008	26 November 2008	15 April 2011	Under joint and several liabilities	No	No	—	No	No	—
North China Metallurgical Construction Co., Ltd.	Wholly-owned Subsidiary	Handan Iron and Steel Group Co., LTD.	29	19 December 2003	19 December 2003	19 December 2015	Under joint and several liabilities	No	No	—	No	No	—
Tianjin 20 MCC Construction Corporation Ltd.	Non-wholly owned Subsidiary	Tianjin Tiangang Steel Group Co., Ltd.	75	18 September 2009	18 September 2009	17 September 2010	Under joint and several liabilities	No	No	—	No	No	—
China 22MCC Group Co., Ltd. (中國二十二冶集團有限公司)	Wholly-owned Subsidiary	Xi'an Sanjiao Aviation Technology Co., Ltd.	125	9 September 2008	9 September 2008	31 December 2014	Under joint and several liabilities	No	No	—	Yes	No	—
China 22MCC Group Co., Ltd. (中國二十二冶集團有限公司)	Wholly-owned Subsidiary	Tanggang Luan County Sijaying Iron Ore Co., Ltd.	130	3 September 2007	3 September 2007	21 December 2015	Under joint and several liabilities	No	No	—	Yes	No	—
China 22MCC Group Co., Ltd. (中國二十二冶集團有限公司)	Wholly-owned Subsidiary	Tanggang Luan County Sijaying Iron Ore Co., Ltd.	60	10 October 2007	10 October 2007	30 August 2014	Under joint and several liabilities	No	No	—	No	No	—
China 22MCC Group Co., Ltd. (中國二十二冶集團有限公司)	Wholly-owned Subsidiary	Tanggang Luan County Sijaying Iron Ore Co., Ltd.	40	23 November 2007	23 November 2007	22 November 2010	Under joint and several liabilities	No	No	—	No	No	—
China 22MCC Group Co., Ltd. (中國二十二冶集團有限公司)	Wholly-owned Subsidiary	Tanggang Luan County Sijaying Iron Ore Co., Ltd.	20	7 September 2007	7 September 2007	6 September 2012	Under joint and several liabilities	No	No	—	No	No	—
Huludao Zinc Industry Co., Ltd.	Non-wholly owned Subsidiary	Jinzhou Jincheng Papermaking Co., Ltd.	30	19 November 2003	19 November 2003	17 August 2004	Under joint and several liabilities	No	Yes	30	No	No	—
Huludao Zinc Industry Co., Ltd.	Non-wholly owned Subsidiary	Kezhou Mineral Resources Development Co., Ltd.	24	17 January 2007	17 January 2007	16 January 2011	Under joint and several liabilities	No	No	—	No	No	—

Significant Events

Total amount of guarantee occurred during the Reporting Period (excluding guarantee to controlled subsidiaries)	50
Total amount of outstanding guarantee as at the end of the Reporting Period (A) (excluding guarantee to controlled subsidiaries)	633
Guarantee provided by the Company to its controlled subsidiaries	
Total amount of guarantee occurred by the Company to its subsidiaries during the Reporting Period	6,206
Balance of guarantee provided by the Company to its subsidiaries at the end of the Reporting Period (B)	25,634
Total guarantee provided by the Company (including guarantee to controlled subsidiaries)	
Total amount of guarantee (A+B)	26,267
Total amount of guarantee as a percentage of the Company's net assets (%)	55.31
Including:	
Amount of guarantee provided to Shareholders, the de facto controller and its related parties (C)	—
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70% (D)	18,378
The excess of total amount of guarantee over 50% of the net assets (E)	2,522
Total amount of the above 3 guarantees (C+D+E)	20,900

3. Entrusted Asset Management

During the Reporting Period, the Company did not have any assets under entrusted management.

Significant Events

4. Other Material Contracts

Material contracts of PRC projects are set out in the table below:

Number	Date of contract	Summary	Contractual amounts (RMB in million)	Parties	Term (month)
1	January 2010	Contract of the bid of Pansteel's phase VI steel making construction by consolidated use of titanomagnetite in Xichang (攀鋼西昌鈾鈾資源綜合利用項目煉鋼工程VI標段合同)	1,250	CISDI Engineering Co., Ltd. (中冶賽迪工程技術股份有限公司)	20
2	January 2010	Contract of the bid of Pansteel's phase V steel making construction by consolidated use of titanomagnetite in Xichang (攀鋼西昌鈾鈾資源綜合利用項目煉鋼工程V標段合同)	1,340	CISDI Engineering Co., Ltd. (中冶賽迪工程技術股份有限公司)	22
3	January 2010	Transformation work of old B Section in Qianshan, Zhuhai (珠海前山B區舊村改造工程)	2,100	China 22 MCC Group Co., Ltd. (中國二十二冶集團有限公司)	26
4	January 2010	General construction contracting project of copper smelting with a capacity of 100,000 tons per year of Yunnan Tin Company Limited (雲南錫業股份有限公司10萬噸/年銅冶煉項目總承包工程)	1,170	China Enfi Engineering Co., Ltd. (中國有色工程有限公司)	16
5	March 2010	Integration, reorganization, renovation and upgrade project of Tangshan Bohai Iron and Steel Co., Ltd. (唐山渤海鋼鐵有限公司整合重組改造升級工程)	1,170	MCC Capital Engineering & Research Incorporation Limited. (中冶京誠工程技術有限公司)	26

Significant Events

Number	Date of contract	Summary	Contractual amounts (RMB in million)	Parties	Term (month)
6	April 2010	Development and construction of Dadaowan New City and Tanggangzi New City in Anshan City (鞍山市達道灣新城、湯崗子新城)	15,000	China MCC 3 Group Co., Ltd. (中國三冶集團有限公司)	60
7	April 2010	Undertaking of Hongnan (Yunlong) Avenue in Zhuzhou City by BT mode (BT模式承接株洲市紅楠(雲龍)大道)	1,460	Zhong Ye Chang Tian International Engineering Co., Ltd. (中冶長天國際工程有限責任公司)	18
8	May 2010	Exemplary city in Jinzhong Street, Dongli District, Tianjin (天津東麗區金鐘街示範小城)	1,500	China First Metallurgical Construction Corporation (中國第一冶金建設有限責任公司)	24
9	May 2010	Tianjin wind power industrial park construction (BT) contract (天津風電產業園建設工程(BT)合同)	2,100	MCC Tiangong Construction Corporation Limited (中冶天工建設有限公司)	Depending on the progress

Material contract of overseas project is set out below:

Number	Date of contract	Summary	Contractual amounts (RMB in million)	Parties	Term (month)
1	January 2010	Australia's Coal (China First) EPCM Contract (澳煤(China First)項目EPCM合同)	4,700	MCC Overseas Ltd. (中冶海外工程有限公司)	55

(VIII) PERFORMANCE STATUS OF THE UNDERTAKINGS

1. The Parent, the controlling shareholder, has made the following undertakings in the A Share Prospectus of the Company:
 - (1) Undertaking for share lock-up: within thirty-six months from the date of listing of the Company's A Shares, no shares issued before the initial public offering of the Company, whether directly and indirectly held by it, shall be transferred or entrusted to others for management or repurchased by the Company.
 - (2) Undertaking for disposal of equity interest in MCC Hengtong Cold Rolling Technology Co., Ltd.: within twenty-four months from the date of listing the Company's domestic and overseas shares in the Shanghai Stock Exchange and Hong Kong Stock Exchange, respectively, MCC Hengtong Cold Rolling Technology Co., Ltd. shall be spun off from the Parent, upon completion of public offering by way of, inter alia, transfer of equity interest in MCC Hetong Cold Rolling Technology Co., Ltd..
 - (3) Non-competition

The Parent has complied with the above undertakings during the Reporting Period.

2. Lock-up undertakings given by Baosteel Group, the promoter, in the A Share Prospectus of the Company in respect of shares held in the Company: within twelve months from the date of listing of the Company's A Shares, no shares of the Company, whether directly and indirectly held by it, shall be transferred or entrusted to others for management or repurchased by the Company.

Baosteel Group has fully complied with the aforesaid undertakings during the Reporting Period.

3. Undertakings for the building ownership and land use rights:
 - (1) As disclosed in the A Share Prospectus of the Company, the Company and its subsidiaries owned 324 buildings with a total gross floor area of 653,547.95 sq.m. for which building ownership certificates have not been granted. The Company and the Parent are actively applying for building ownership certificates for those buildings and undertook to obtain the relevant certificates within 18 months from the completion of the public offering of the Company.

As at the end of the Reporting Period, among the aforementioned 324 buildings for which building ownership certificates were outstanding, 31 buildings with a gross area of 29,324.56 sq.m. have been granted building ownership certificates. 62 properties had either been demolished and relocated in accordance with regional planning or disposed or will be disposed in accordance with the Company's plan. For reasons of regional planning, 95 buildings had not been granted certificates. However, the Company and the Parent are actively seeking confirmation of ownership for other buildings.

Significant Events

- (2) As disclosed in the A Share Prospectus of the Company, of the land for which we had obtained the land use rights, the land use rights for 204 parcels of land with a total area of 4,363,756.56 sq.m. were obtained by means of state capital injection. As at the date on which the prospectus was executed, 26 parcels of land out of the above were in the process of renewing their State-owned Land Use Rights Certificates. Besides, of the land for which the Company and its subsidiaries had obtained land use rights, 15 land use rights with a total area of 1,423,838.49 sq.m. had not undergone transfer procedures of land use rights and were not granted State-owned Land Use Rights Certificates. The Company and the Parent are actively applying for State-owned Land Use Rights Certificates for the above land parcels for which State-owned Land Use Rights Certificates have not been granted or renewed and have undertaken to complete the application within 18 months from the completion of the public offering and listing of the Company.

As at the end of the Reporting Period, among the above 26 parcels of land for which State-owned Land Use Rights Certificates were subject to renewal, 12 parcels of land had their certificates renewed as State-owned Land Use Rights Certificates in capital-injection nature while 1 parcel was recovered by the local government with compensation. The renewal of certificates of the remaining 13 parcels of land is in progress. On the other hand, of the above 15 parcels for which transfer procedures had not been completed, 3 parcels with a total area of 387,726.7 sq.m. had undergone transfer procedures and had been granted State-owned Land Use Rights Certificates. The remaining 12 parcels of land are still undergoing relevant procedures.

- (3) Undertakings made by the Parent in the Reorganisation Agreement entered into with the Company in respect of part of the buildings and lands leased to the Company and its subsidiaries by the Parent and/or enterprises not incorporated into the Company through the Parent Reorganisation and had not been granted building ownership certificates or State-owned Land Use Rights Certificates: With respect to buildings and lands leased to the Company by the Parent and/or enterprises not incorporated into the Company through the Parent Reorganisation, in case of any disputes as to the rights to such buildings and lands, the Parent shall be responsible for resolving any conflicts, assume all legal responsibilities, and bear all costs, expenses and claims arising from or relating to any such disputes.

During the Reporting Period, the relevant lessor had been actively applying for building ownership certificates or State-owned Land Use Rights Certificates. As at the end of the Reporting Period, there have been no disputes as to the rights relating to the above leases and none of the Company or its subsidiaries have incurred any costs, expenses and claims arising from resolving such disputes.

(IX) THE PENALTIES AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON

During the Reporting Period, none of the Company, its Directors, Supervisors, senior management, Shareholders and ultimate controlling person was subject to any investigations, administrative penalties and criticisms by notice by CSRC and any public censure of stock exchanges.

Significant Events

(X) OTHER SIGNIFICANT EVENTS

1. As disclosed by the Company in the H Share Prospectus, the EPC contracts of the SINO ore mine construction project in Western Australia entered into between the Company's wholly-owned subsidiary MCC Mining (Western Australia) Pty Ltd. ("MCC WA") and Sino Iron Pty Ltd. ("Sino Iron") is in execution. During the Reporting Period, as a result of the changes in the cost structure of the industry, the price of iron ore significantly increased, which drove the cost of this mining EPC project significantly higher. A supplement agreement was entered into between MCC WA and Sino Iron on 11 May 2010 upon negotiations to increase the consideration of the original EPC contracts for an amount of US\$835 million. Related terms in the EPC contracts were revised accordingly.
2. As disclosed by the Company in the announcement dated 29 October 2009 regarding the newly signed material project agreement, the Company had entered into the Master Agreement of Specific Investment and Construction of Municipal Infrastructure (BT) Project in Hengqin District, Zhuhai City (「珠海市橫琴區市政基礎設施(BT)項目投資建設總體協議」) with Zhuhai Dahengqin Investment Co., Ltd (珠海大橫琴投資有限公司). The total investment amount of the project was estimated at RMB12,600 million. During the Reporting Period, the Company has entered into the Repurchase Contract of Specific Investment and Construction of Municipal Infrastructure (BT) Project in Hengqin New Area, Zhuhai City (「珠海市橫琴新區市政基礎設施(BT)項目投資建設回購合同」) with Zhuhai Dahengqin Investment Co., Ltd (珠海大橫琴投資有限公司). Preliminary work of this project was commenced as scheduled.
3. As disclosed by the Company in the announcement dated 22 December 2009 regarding the newly signed cooperative agreements for material projects by MCC's subsidiaries, China MCC 17 Construction Co., Ltd. (currently known as China MCC 17 Group Co., Ltd., "MCC 17") and Huatian Engineering & Technology Corporation, MCC ("MCC Huatian"), which are non-wholly owned subsidiaries of the Company, entered into the cooperative agreements with relevant counties and cities in Anhui Province on the Cooperation and Development Conference between Anhui Province and the Central Enterprises (安徽省與中央企業合作發展會議), respectively. As at the end of the Reporting Period, the progress of such agreements is as follows:
 - (1) As for the Cooperative Agreement for Maanshan Affordable Residence Construction Project (「馬鞍山保障性住房建設項目合作協議」) (investment amount estimated to be RMB13,150 million) entered into between MCC 17 and Maanshan City Construction Committee (馬鞍山市建設委員會), and as at the end of the Reporting Period, the construction of Jin'an Estate, Jinjiazhuang (Phase I) (金家莊金安小區項目一期) commenced in December 2009 and was expected to be delivered in 2011, while Phase II and III will commence construction successively in the near term; construction of Jinfu Garden, Yushan District (Phase I) (雨山區金福花園項目一期) commenced in July 2010. The settlement residence project in Huashan District and the social welfare housing project in Dangtu County are currently in their preparations for the preliminary work and will duly commence constructions soon.

Significant Events

- (2) As at the end of the Reporting Period, a franchise agreement relating to the BOT project of Chuzhou City Qingliu Sewage Treatment Plant (Phase II) (滁州清流污水處理廠二期工程BOT項目) in an amount of RMB47.4874 million was entered into pursuant to the Cooperative Agreement for the Centralised Urban Sewage Treatment Project of Chuzhou City (「滁州市城鎮污水集中處理項目合作協議」) entered into between MCC Huatian and Chuzhou City Construction Committee (滁州市建設委員會).
4. As disclosed by the Company in the announcement of the resolutions of the Board dated 12 January 2010 and the announcement of external investments dated 3 February 2010, the Company acquired shares in RESOURCESHOUSE LIMITED (“RESOURCESHOUSE”), the parent of China First Pty Ltd., for a consideration of US\$200 million. Meanwhile, the Company secured the right of the EPC management of the China First coal project in Australia and the right to receive a 4% fixed commission fee from the coal sales with an annual capacity of 30 million tons. A four-party co-operation agreement in relation to the China First coal project was entered into between the Company, RESOURCESHOUSE, China Power International Holding Limited (中國電力國際有限公司) and the Export-Import Bank of China on 21 June 2010, stipulating, among other things, that: (1) MCC Overseas Ltd., a wholly-owned subsidiary of the Company, will be the EPCM contractor of the project; (2) the Export-Import Bank of China will provide buyer’s credit for the project; (3) the Company, China Railway Group Limited, China Communications Construction Company Limited and China Coal Technology & Engineering Group Corporation (中國煤炭科工集團有限公司) will be responsible for the construction and relevant electromechanical equipment and bulky raw materials will be primarily imported from the PRC; (4) a letter of intent relating to purchase and sale of coal with China Power International Holding Limited (中國電力國際有限公司) will be entered into; (5) China First PTY Ltd. will be responsible for obtaining all relevant approvals from the government of Australia and the State of Queensland for the project.
5. As disclosed by the Company in the announcement dated 7 May 2010 regarding the newly signed material project agreement, China MCC 3 Group Co., Ltd. (中國三冶集團有限公司), a wholly-owned subsidiary of the Company, entered into the BT Agreement for Construction of Dadaowan Social Welfare Housing Project in Anshan City (鞍山市達道灣保障性住房工程項目BT模式建設協議) with Anshan Urban Construction Investment and Development Co., Ltd. (鞍山市城市建設投資發展有限公司). As at the end of the Reporting Period, the relevant procedures of feasibility study, project proposal, environment evaluation and land pre-approval were completed successively. With the implementation of financing of the project, the project entered into the preliminary preparation stage before construction.

Significant Events

- Pursuant to the resolutions of the second extraordinary general meeting in 2009, the Company issued the short-term financing bills for 2010 (Tranche I) on 27 May 2010. The actual bills issued aggregated to RMB4,000 million, with a term of 365 days and an interest rate of 2.73%. Both the principal and the interest should be paid in a lump sum upon the maturity date. The joint lead underwriters of the issue of the short-term financing bills were Bank of Communications Co., Ltd. and China Construction Bank Corporation. The proceeds raised from the issue were fully received on 28 May 2010.

The Resolution Regarding the Registration and Issuance of Medium Term Notes of Metallurgical Corporation of China Ltd.* (「關於中國冶金科工股份有限公司註冊發行中期票據的議案」) and the Resolution Regarding the Registration and Issuance of Short-term Financing Bills of Metallurgical Corporation of China Ltd.* (「關於中國冶金科工股份有限公司註冊發行短期融資券的議案」) were considered and approved at the 2009 AGM. It was resolved that the Company may issue medium term notes with a registered issue size of up to RMB14,900 million and short-term financing bills with a registered size of up to RMB14,400 million. As at the end of the Reporting Period, the respective procedures related to the issuance of medium term notes and short-term financing bills of the Company progressed as scheduled.

- The resolution of the “Proposal of Integration of Certain Subsisting Enterprises with Transformed Enterprises” (「關於對部分存續企業與改制企業整合的議案」) was passed at the 8th meeting of the first session of the Board of the Company held on 24 November 2009. The integrations of the relevant subsidiaries have been proceeding smoothly. As at the end of the Reporting Period, the former second-tier subsidiaries of the Company, namely MCC Jingtang Construction Corporation Limited, MCC Shijiu Construction Co., Ltd., MCC Chenggong Construction Co., Ltd., MCC Northeastern Construction Co., LTD. and Wuhan Metallurgical Construction Co., Ltd. of the MCC Group were respectively merged into 22nd China Metallurgical Construction Corporation Limited, China 19th Metallurgical Construction Co., Ltd., China 5th Metallurgical Construction Co., Ltd., China Third Metallurgical Construction Co., LTD. and Wuhan Research Institute of Metallurgical Construction Co., Ltd., all of which were principal subsidiaries of the Company and whose respective names were changed to China 22MCC Group Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 5 Group Co., Ltd., China MCC 3 Group Co., Ltd. and Wuhan Research Institute of Metallurgical Construction, MCC, upon completion of those mergers.

Significant Events

(XI) FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee of the Company comprises five Directors, namely Mr. Liu Li, Mr. Jing Tianliang, Mr. Jiang Longsheng, Mr. Wen Keqin and Mr. Cheung Yukming. Mr. Liu Li serves as the chairman of the Finance and Audit Committee.

During the Reporting Period, the Finance and Audit Committee has adopted the written terms of reference in line with the Corporate Governance Code and is mainly responsible for formulating the regulatory system for the finance and major control targets as well as guiding the exercise of the Company's finance functions; formulating guarantee management policies and reviewing guarantee business; reviewing annual financial budgets and financial statements, supervising their implementation and conducting comparisons and analyses; reviewing the financial analysis of major investment projects and monitoring the execution outcome of investment projects; proposing the appointment or replacement of external auditors; supervising the Company's internal audit system and its implementation; facilitating communications between internal auditors and external auditors; reviewing the Company's financial information and its disclosure; reviewing the Company's internal control systems and discharging other duties authorized by the Board.

The Finance and Audit Committee has considered matters in relation to internal control and reviewed the unaudited interim results of the Company for the six months ended 30 June 2010. The Committee is of the view that the unaudited interim results for the six months ended 30 June 2010 is in compliance with the requirements of the applicable accounting standards and laws and appropriate disclosure have been made.

(XII) APPOINTMENT AND DISMISSAL OF AUDITORS

Given that Reanda Certified Public Accountants Company Limited has exceeded the maximum audit term set by the SASAC, the Board proposed to appoint only one auditor as both the domestic and international auditor of the Company with a view to enhancing audit quality and efficiency as well as achieving audit cost effectiveness. The appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company and the re-appointment of PricewaterhouseCoopers as the domestic auditor and international auditor of the Company for the year 2010 respectively was passed at the 2009 AGM.

Report on Review of Interim Financial Information



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

To the Board of Directors of Metallurgical Corporation of China Ltd.

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 68 to 119, which comprises the condensed consolidated balance sheet of Metallurgical Corporation of China Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with IAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 24 August 2010

Unaudited Condensed Consolidated Balance Sheet

	Note	30 June 2010 RMB 'million Unaudited	31 December 2009 RMB 'million (See note 2(b))
ASSETS			
Non-current assets			
Property, plant and equipment	5	32,709	29,866
Land use rights		6,369	6,303
Mining rights	6	4,278	3,668
Investment properties		481	367
Intangible assets	7	5,906	5,271
Investments in associates		1,183	1,153
Available-for-sale financial assets	8	1,461	1,388
Held-to-maturity financial assets		250	250
Deferred income tax assets		2,040	1,952
Trade and other receivables	9	4,151	3,288
Other non-current assets		123	106
Total non-current assets		58,951	53,612
Current assets			
Inventories		14,008	11,549
Properties under development		28,373	20,364
Completed properties held for sale		1,009	2,545
Trade and other receivables	9	78,118	69,569
Amounts due from customers for contract work	10	30,908	25,582
Available-for-sale financial assets	8	—	27
Held-to-maturity financial assets		368	51
Financial assets at fair value through profit or loss		110	301
Restricted cash		1,907	1,223
Cash and cash equivalents		46,471	44,740
Total current assets		201,272	175,951
Total assets		260,223	229,563

The notes on pages 76 to 119 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Balance Sheet

	Note	30 June 2010 RMB 'million Unaudited	31 December 2009 RMB 'million (See note 2(b))
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	11	19,110	19,110
Reserves	12	20,142	17,791
		39,252	36,901
Non-controlling interests		8,238	6,889
Total equity		47,490	43,790
LIABILITIES			
Non-current liabilities			
Borrowings	14	44,621	36,379
Deferred income		546	408
Retirement and other supplemental benefit obligations		5,778	5,941
Provisions for other liabilities and charges		57	59
Trade and other payables	13	3,534	6,186
Deferred income tax liabilities		691	639
Total non-current liabilities		55,227	49,612
Current liabilities			
Trade and other payables	13	98,962	89,577
Amounts due to customers for contract work	10	11,701	13,250
Current income tax liabilities		597	1,061
Borrowings	14	45,599	31,608
Retirement and other supplemental benefit obligations		647	665
Total current liabilities		157,506	136,161
Total liabilities		212,733	185,773
Total equity and liabilities		260,223	229,563
Net current assets		43,766	39,790
Total assets less current liabilities		102,717	93,402

The notes on pages 76 to 119 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Income Statement

	Note	Six months ended 30 June	
		2010 RMB 'million Unaudited	2009 RMB 'million (See note 2(b))
Revenue	4	88,850	75,142
Cost of sales	17	(79,977)	(68,091)
Gross profit		8,873	7,051
Selling and marketing expenses	17	(594)	(387)
Administrative expenses	17	(3,767)	(3,004)
Other income	15	446	490
Other (losses)/gains — net	16	(132)	71
Other expenses		(110)	(50)
Operating profit		4,716	4,171
Finance income	18	282	229
Finance costs	18	(1,421)	(1,174)
Share of profits of associates		39	40
Profit before income tax		3,616	3,266
Income tax expense	19	(1,020)	(690)
Profit for the period		2,596	2,576
Attributable to:			
Equity holders of the Company		2,275	2,135
Non-controlling interests		321	441
		2,596	2,576
Earnings per share for profit attributable to the equity holders of the Company			
— Basic earnings per share (RMB)	20	0.12	0.16
— Diluted earnings per share (RMB)	20	0.12	0.16
Dividends	21	—	1,875

The notes on pages 76 to 119 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2010 RMB 'million Unaudited	2009 RMB 'million (See note 2(b))
Profit for the period	2,596	2,576
Other comprehensive (expense)/income		
Fair value (losses)/gains on available-for-sale financial assets, net of tax	(105)	203
Currency translation differences	(151)	(73)
Other comprehensive (expense)/income for the period, net of tax	(256)	130
Total comprehensive income for the period	2,340	2,706
Total comprehensive income attributable to		
Equity holders of the Company	2,039	2,263
Non-controlling interests	301	443
	2,340	2,706

The notes on pages 76 to 119 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company				Non-	Total
		Share capital	Other reserves	Retained earnings	Sub total	controlling interests	
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 1 January 2010							
(As previously reported)		19,110	15,367	2,392	36,869	6,823	43,692
Business combination under common control	12(a)	—	29	3	32	66	98
As at 1 January 2010 (As restated)		19,110	15,396	2,395	36,901	6,889	43,790
Profit for the period		—	—	2,275	2,275	321	2,596
Other comprehensive income:							
Fair value losses on available-for-sale financial assets, net of tax		—	(93)	—	(93)	(12)	(105)
Currency translation differences		—	(143)	—	(143)	(8)	(151)
Total comprehensive (expenses)/income for the period		—	(236)	2,275	2,039	301	2,340
Transactions with owners							
Dividends		—	—	—	—	(19)	(19)
Transaction with non-controlling interests		—	(8)	—	(8)	(68)	(76)
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	682	682
Additional capital injection from owners and non-controlling interest proportionally		—	—	—	—	459	459
Capital contribution		—	380	—	380	—	380
Business combination under common control	12(a)	—	(39)	—	(39)	(6)	(45)
Appropriations		—	6	(6)	—	—	—
Others		—	(21)	—	(21)	—	(21)
Total transactions with owners		—	318	(6)	312	1,048	1,360
As at 30 June 2010		19,110	15,478	4,664	39,252	8,238	47,490

The notes on pages 76 to 119 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Statement of Changes in Equity

Attributable to equity holders of the Company							
		Share capital	Other reserves	(Accumulated deficit)/ Retained earnings	Sub total	Non-controlling interests	Total
Note	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 1 January 2009							
(As previously reported)							
		13,000	(10,972)	(33)	1,995	5,633	7,628
Business combination under common control	12(a)	—	29	—	29	60	89
As at 1 January 2009 (As restated)							
		13,000	(10,943)	(33)	2,024	5,693	7,717
Profit for the period		—	—	2,135	2,135	441	2,576
Other comprehensive income:							
Fair value gains on available-for-sale financial assets, net of tax		—	180	—	180	23	203
Currency translation differences		—	(52)	—	(52)	(21)	(73)
Total comprehensive income for the period		—	128	2,135	2,263	443	2,706
Transactions with owners							
Dividends	21	—	—	(1,875)	(1,875)	(252)	(2,127)
Transaction with non-controlling interests		—	45	—	45	27	72
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	171	171
Investments in subsidiaries transferred to investments in associates		—	—	—	—	(16)	(16)
Additional capital injection from owners and non-controlling interests proportionally		—	—	—	—	47	47
Appropriations		—	208	(208)	—	—	—
Total transactions with owners		—	253	(2,083)	(1,830)	(23)	(1,853)
As at 30 June 2009							
		13,000	(10,562)	19	2,457	6,113	8,570

The notes on pages 76 to 119 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2010 RMB 'million Unaudited	2009 RMB 'million (See note 2(b))
Cash flows from operating activities		
Cash used in operations	(9,278)	(1,405)
Income tax paid	(1,435)	(851)
Net cash used in operating activities	(10,713)	(2,256)
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,594)	(3,854)
Purchases of land use rights	(207)	(630)
Purchases of investment properties	(2)	—
Purchases of intangible assets	(682)	(631)
Purchases of available-for-sale financial assets	(208)	(1)
Purchases of held-to-maturity financial assets	(529)	(341)
Increase in investment in associates	(3)	(120)
Net cash (outflow)/inflow for acquisition of subsidiaries	(25)	196
Net cash flow for business combination under common control	(42)	—
Prepayment for investments	—	(3,504)
Amounts received from related parties and third parties	93	(283)
Proceeds from disposal of property, plant and equipment	75	79
Proceeds from disposal of land use rights	2	—
Proceeds from disposal of investment properties	1	—
Proceeds from disposal of intangible assets	9	—
Proceeds from disposal of available-for-sale financial assets	42	79
Proceeds from held-to-maturity financial assets upon maturity date	213	240
Net cash inflow from disposal of investment in associates	5	—
Transaction with non-controlling interests	(98)	(149)
Dividends received	10	50
Net cash used in investing activities	(4,940)	(8,869)

The notes on pages 76 to 119 form an integral part of this condensed consolidated interim financial information.

Unaudited Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2010 RMB 'million Unaudited	2009 RMB 'million (See note 2(b))
Cash flows from financing activities		
Proceeds from borrowings	46,458	47,221
Repayments of borrowings	(27,179)	(32,471)
Contribution received from non-controlling interests	808	246
Dividends paid	(77)	(15)
Interest paid	(2,190)	(1,954)
Capital contribution	380	—
Changes in restricted cash	(684)	(1,016)
Net cash outflow from finance leases	(8)	—
Net cash generated from financing activities	17,508	12,011
Net increase in cash and cash equivalents	1,855	886
Cash and cash equivalents at beginning of the period	44,740	26,209
Exchange losses on cash and cash equivalents	(124)	(46)
Cash and cash equivalents at end of the period	46,471	27,049

The notes on pages 76 to 119 form an integral part of this condensed consolidated interim financial information.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

1. GENERAL INFORMATION

- (a) Metallurgical Corporation of China Ltd. (the “Company”) was established in the People’s Republic of China (the “PRC” or “China”) on 1 December 2008. The A shares of the Company were listed on the Shanghai Stock Exchange on 21 September 2009, and the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) on 24 September 2009. The address of the Company’s registered office has been changed to No.28 Shuguang Xili, Chaoyang District, Beijing since July 2010.
- (b) The Company and its subsidiaries (the “Group”) are principally engaged in following activities:
- Provision of engineering, construction and other related contracting services for metallurgical and non-metallurgical projects (the “engineering and construction”);
 - Development and production of metallurgical equipment, steel structures and other metal products (the “equipment manufacturing”);
 - Development, mining and processing of mineral resources and the production of polysilicon (the “resources development”); and
 - Development and sale of residential and commercial properties and primary land development (the “property development”).
- (c) This condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated.

This condensed consolidated interim financial information for the six months ended 30 June 2010 was approved for issue by the Board of Directors of the Company on 24 August 2010.

This condensed consolidated interim financial information has not been audited.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

2. BASIS OF PREPARATION

- (a) This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with IAS 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").
- (b) In February 2010, the Group acquired from a subsidiary of China Metallurgical Group Corporation (the "Parent") 40.33% equity interest in Wuhan Metallurgical Traffic Engineering Co., Ltd. ("WMTE"), 37.50% equity interest in Wuhan Electrical Engineering Co., Ltd. ("WEEC") and 35% equity interest in Wuhan Metallurgical Construction Co., Ltd. ("WMCC" and collectively the "Acquired Entities") for cash consideration of RMB10 million, RMB18 million and RMB18 million respectively. The financial statements of the Acquired Entities are consolidated by the Group as the Group has control over operating and financial policies of these entities.

The Acquired Entities and the Group are controlled and ultimately owned by the Parent. Accordingly, the aforesaid transactions are regarded as business combination under common control. Therefore, the condensed consolidated interim financial information incorporated the results of the Acquired Entities as if both the Acquired Entities and the Group had always been combined. Details of the adjustments for the common control combination on the Group's financial position as at 30 June 2010 and 31 December 2009 and the Group's results for the six months ended 30 June 2010 and 30 June 2009 are set out in Note 12(a).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

(a) Amendment to existing standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- Second annual improvements project (2009) published in April 2009 by International Accounting Standards Board ("IASB")
 - Amendment to IFRS 8 'Operating segments' (effective from 1 January 2010). Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The amendment does not have any effect on the condensed consolidated interim financial information;

3. ACCOUNTING POLICIES (Continued)

(a) Amendment to existing standards adopted by the Group (Continued)

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010. (Continued)

- Second annual improvements project (2009) published in April 2009 by International Accounting Standards Board (“IASB”) (Continued)
 - Amendment to IAS 7 ‘Statement of cash flows’ (effective from 1 January 2010). Only expenditures that result in a recognized asset are eligible for classification as investing activities. The amendment does not have any effect on the condensed consolidated interim financial information;
 - Amendment to IAS 17 ‘Leases’ (effective from 1 January 2010). The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The amendment does not have any effect on the condensed consolidated interim financial information;
 - Amendment to IAS 36 ‘Impairment of assets’ (effective from 1 January 2010). This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in IFRS 8. The amendment does not have any effect on the condensed consolidated interim financial information;
 - Amendment to IAS 1 ‘Presentation of financial statements’ (effective from 1 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The amendment does not have any effect on the condensed consolidated interim financial information.

3. ACCOUNTING POLICIES *(Continued)*

(b) Amendment to existing standard which is not yet effective but early adopted by the Group

- IAS 24 (Revised), "Related party disclosures" (effective from 1 January 2011). The amendment introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party. The Group has early adopted this amendment and simplified the disclosures for related party transactions and balances with government-related entities (refer to details in Note 26).

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the President's office that are used to make strategic decisions.

The President's office considers the business from a products and services perspective, which mainly includes four reportable operating segments: (i) engineering and construction; (ii) equipment manufacturing; (iii) resources development; and (iv) property development.

The "others" segment mainly comprises trading activities, consulting and finance services. Neither of these constitutes a separately reportable segment.

Unallocated costs consist of corporate expenses. Inter-segment transactions were conducted at terms mutually agreed amongst those operating segments.

Segment assets comprise operating assets. Unallocated assets comprise items such as deferred taxation, available-for-sale financial assets, and financial assets at fair value through profit or loss.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 5), land use rights, mining rights (Note 6), investment properties, and intangible assets (Note 7), including additions resulting from acquisitions through business combinations (Note 5, 6).

Notes to the Unaudited Condensed Consolidated Interim Financial Information

4. SEGMENT INFORMATION (Continued)

(a) For the six months ended 30 June 2010:

The segment results for the six months ended 30 June 2010 are as follows:

Unaudited	Engineering	Equipment	Resources	Property	Others	Elimination	Total
	and construction	manufacturing	development	development			
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Segment revenue	70,859	4,618	4,327	7,725	3,236	(1,915)	88,850
Inter-segment revenue	(759)	(11)	(104)	—	(1,041)	1,915	—
Revenue	70,100	4,607	4,223	7,725	2,195	—	88,850
Segment result	3,446	(46)	192	1,100	220	(139)	4,773
Unallocated costs							(57)
Operating profit							4,716
Finance income							282
Finance costs							(1,421)
Share of profit/ (loss) of associates	47	(4)	—	(4)	—	—	39
Profit before income tax							3,616
Income tax expense							(1,020)
Profit for the period							2,596

Notes to the Unaudited Condensed Consolidated Interim Financial Information

4. SEGMENT INFORMATION (Continued)

(a) For the six months ended 30 June 2010: (Continued)

Other segment items included in the consolidated income statement are as follows:

Unaudited	Engineering	Equipment	Resources	Property	Others	Total
	and construction	manufacturing	development	development		
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Capital expenditure	1,635	713	2,651	56	834	5,889
Depreciation	500	160	292	15	8	975
Amortisation	54	8	22	1	15	100
Provision for impairment of inventories	2	18	—	—	—	20
Reversal of foreseeable losses on construction contracts (Note 17)	(1)	—	—	—	—	(1)
Provision for/ (reversal of) impairment on trade and other receivables	375	12	(1)	7	3	396

(b) As at 30 June 2010:

The segment assets and liabilities as at 30 June 2010 are as follows:

Unaudited	Engineering	Equipment	Resources	Property	Others	Elimination	Total
	and construction	manufacturing	development	development			
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Assets							
Segment assets	158,244	18,017	33,541	57,589	17,566	(29,528)	255,429
Investments in associates	844	33	2	304	—	—	1,183
Unallocated assets							3,611
Total assets							260,223
Liabilities							
Segment liabilities	82,875	8,037	8,484	28,152	9,831	(16,154)	121,225
Unallocated liabilities							91,508
Total liabilities							212,733

Notes to the Unaudited Condensed Consolidated Interim Financial Information

4. SEGMENT INFORMATION (Continued)

(b) As at 30 June 2010: (Continued)

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

Unaudited	Assets	Liabilities
	RMB 'million	RMB 'million
Segment assets/liabilities	255,429	121,225
Investments in associates	1,183	—
Unallocated:		
Deferred income tax	2,040	691
Current income tax	—	597
Current borrowings	—	45,599
Non-current borrowings	—	44,621
Available-for-sale financial assets	1,461	—
Financial assets at fair value through profit or loss	110	—
Total	260,223	212,733

Notes to the Unaudited Condensed Consolidated Interim Financial Information

4. SEGMENT INFORMATION (Continued)

(c) For the six months ended 30 June 2009:

The segment results for the six months ended 30 June 2009 are as follows:

(See note 2(b))	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Segment revenue	65,751	4,375	3,061	1,831	1,083	(959)	75,142
Inter-segment revenue	(805)	(30)	—	—	(124)	959	—
Revenue	64,946	4,345	3,061	1,831	959	—	75,142
Segment result	3,407	267	236	228	100	(36)	4,202
Unallocated costs							(31)
Operating profit							4,171
Finance income							229
Finance costs							(1,174)
Share of profit/ (loss) of associates	33	15	—	(8)	—	—	40
Profit before income tax							3,266
Income tax expense							(690)
Profit for the period							2,576

Notes to the Unaudited Condensed Consolidated Interim Financial Information

4. SEGMENT INFORMATION (Continued)

(c) For the six months ended 30 June 2009: (Continued)

Other segment items included in the consolidated income statement are as follows:

(See note 2(b))	Engineering	Equipment	Resources	Property	Others	Total
	and construction	manufacturing	development	development		
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Capital expenditure	972	1,460	2,690	144	11	5,277
Depreciation	436	90	238	9	11	784
Amortisation	64	6	22	—	—	92
Provision for/reversal of impairment of inventories	3	—	(10)	—	—	(7)
Reversal of foreseeable losses on construction contracts (Note 17)	(10)	—	—	—	—	(10)
Provision for impairment on trade and other receivables	345	24	30	2	3	404

(d) As at 31 December 2009:

The segment assets and liabilities as at 31 December 2009 are as follows:

(See note 2(b))	Engineering	Equipment	Resources	Property	Others	Elimination	Total
	and construction	manufacturing	development	development			
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Assets							
Segment assets	146,569	15,993	29,237	49,403	19,567	(36,027)	224,742
Investments in associates	800	37	2	314	—	—	1,153
Unallocated assets							3,668
Total assets							229,563
Liabilities							
Segment liabilities	84,435	7,048	6,676	25,947	13,118	(21,138)	116,086
Unallocated liabilities							69,687
Total liabilities							185,773

Notes to the Unaudited Condensed Consolidated Interim Financial Information

4. SEGMENT INFORMATION (Continued)

(d) As at 31 December 2009: (Continued)

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

(See note 2(b))	Assets	Liabilities
	RMB 'million	RMB 'million
Segment assets/liabilities	224,742	116,086
Investments in associates	1,153	—
Unallocated:		
Deferred income tax	1,952	639
Current income tax	—	1,061
Current borrowings	—	31,608
Non-current borrowings	—	36,379
Available-for-sale financial assets	1,415	—
Financial assets at fair value through profit or loss	301	—
Total	229,563	185,773

Notes to the Unaudited Condensed Consolidated Interim Financial Information

5. PROPERTY, PLANT AND EQUIPMENT

Unaudited	Mining	Buildings	Plant and	Trans-	Furniture,	Construction-	Total
	structure		machinery	portation	office	in-	
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Cost							
As at 1 January 2010	66	10,658	12,536	1,834	750	12,448	38,292
Additions	—	384	503	165	47	2,952	4,051
Attributable to acquisition of subsidiaries (Note 22)	—	15	—	2	—	145	162
Transfer upon completion	—	736	300	6	2	(1,044)	—
Disposals/write-off	—	(188)	(104)	(132)	(60)	—	(484)
Exchange differences	—	(11)	(23)	—	—	(1)	(35)
Transfer to investment properties	—	(70)	—	—	—	—	(70)
As at 30 June 2010	66	11,524	13,212	1,875	739	14,500	41,916
Accumulated depreciation							
As at 1 January 2010	8	2,267	4,983	833	303	—	8,394
Depreciation	2	251	542	115	54	—	964
Disposals/write-off	—	(36)	(54)	(49)	(24)	—	(163)
Transfer to investment properties	—	(20)	—	—	—	—	(20)
As at 30 June 2010	10	2,462	5,471	899	333	—	9,175
Impairment provision							
As at 1 January 2010	—	17	11	3	1	—	32
As at 30 June 2010	—	17	11	3	1	—	32
Net book value							
As at 30 June 2010	56	9,045	7,730	973	405	14,500	32,709

Notes to the Unaudited Condensed Consolidated Interim Financial Information

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

(See note 2(b))	Mining	Buildings	Plant and	Trans-	Furniture,	Construction-	Total
	structure		machinery	portation	office	in-	
	RMB'million	RMB'million	RMB'million	equipment	and other	progress	RMB'million
				RMB'million	equipment	RMB'million	
Cost							
As at 1 January 2009	36	8,472	10,679	1,727	656	7,286	28,856
Additions	—	56	248	108	26	4,320	4,758
Transfer upon completion	—	125	203	5	2	(335)	—
Disposals/write-off	—	(98)	(72)	(56)	(29)	—	(255)
Exchange differences	—	—	(39)	—	—	—	(39)
Transfer to investment properties	—	(3)	—	—	—	—	(3)
As at 30 June 2009	36	8,552	11,019	1,784	655	11,271	33,317
Accumulated depreciation							
As at 1 January 2009	4	1,896	4,340	762	242	—	7,244
Depreciation	2	209	411	105	46	—	773
Disposals/write-off	—	(58)	(23)	(33)	(24)	—	(138)
Transfer to investment properties	—	(1)	—	—	—	—	(1)
As at 30 June 2009	6	2,046	4,728	834	264	—	7,878
Impairment provision							
As at 1 January 2009	—	17	11	3	1	—	32
As at 30 June 2009	—	17	11	3	1	—	32
Net book value							
As at 30 June 2009	30	6,489	6,280	947	390	11,271	25,407

As at 30 June 2010, bank borrowings are secured by certain property, plant and equipment of the Group with an aggregate net book value of approximately RMB1,353 million (31 December 2009: RMB1,509 million)(Note 14).

Notes to the Unaudited Condensed Consolidated Interim Financial Information

6. MINING RIGHTS

	Six months ended 30 June	
	2010 RMB'million Unaudited	2009 RMB'million Audited
Cost		
At beginning of the period	3,686	3,531
Additions	101	—
Attributable to acquisition of subsidiaries (Note 22)	686	—
Exchange differences	(174)	(7)
At end of the period	4,299	3,524
Accumulated amortisation		
At beginning of the period	18	12
Amortisation	3	3
At end of the period	21	15
Net book value	4,278	3,509

Notes to the Unaudited Condensed Consolidated Interim Financial Information

7. INTANGIBLE ASSETS

Unaudited	Goodwill	Patent and proprietary technologies	Purchased computer software	Concession assets	Total
	<i>RMB 'million</i>	<i>RMB 'million</i>	<i>RMB 'million</i>	<i>RMB 'million</i>	<i>RMB 'million</i>
Cost					
As at 1 January 2010	1,018	43	154	4,166	5,381
Additions	96	5	18	729	848
Exchange differences	(9)	—	—	—	(9)
As at 30 June 2010	1,105	48	172	4,895	6,220
Accumulated amortisation					
As at 1 January 2010	—	19	59	17	95
Amortisation	—	3	15	15	33
As at 30 June 2010	—	22	74	32	128
Impairment provision					
As at 1 January 2010	15	—	—	—	15
Additions	171	—	—	—	171
As at 30 June 2010	186	—	—	—	186
Net book value					
As at 30 June 2010	919	26	98	4,863	5,906

Notes to the Unaudited Condensed Consolidated Interim Financial Information

7. INTANGIBLE ASSETS (Continued)

Audited	Goodwill	Patent and proprietary technologies	Purchased computer software	Concession assets	Total
	<i>RMB 'million</i>	<i>RMB 'million</i>	<i>RMB 'million</i>	<i>RMB 'million</i>	<i>RMB 'million</i>
Cost					
As at 1 January 2009	1,038	26	96	2,483	3,643
Additions	—	9	11	611	631
Exchange differences	(21)	—	—	—	(21)
Disposals	—	(3)	(3)	—	(6)
As at 30 June 2009	1,017	32	104	3,094	4,247
Accumulated amortisation					
As at 1 January 2009	—	15	35	7	57
Amortisation	—	2	12	5	19
Disposals	—	—	(3)	—	(3)
As at 30 June 2009	—	17	44	12	73
Impairment provision					
As at 1 January 2009	—	—	—	—	—
As at 30 June 2009	—	—	—	—	—
Net book value					
As at 30 June 2009	1,017	15	60	3,082	4,174

Notes to the Unaudited Condensed Consolidated Interim Financial Information

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	As at 30 June 2010 RMB'million Unaudited	As at 31 December 2009 RMB'million Audited
Listed securities		
— Equity securities – China	859	811
Unlisted securities		
— Equity securities – China	602	604
	1,461	1,415

Notes to the Unaudited Condensed Consolidated Interim Financial Information

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2010 RMB'million Unaudited	As at 31 December 2009 RMB'million (See note 2(b))
Trade receivables		
Trade receivables	36,572	32,446
Retentions	1,815	1,628
Notes receivables	8,594	7,567
	46,981	41,641
Less: Provision for impairment	(3,156)	(2,835)
Trade receivables — net	43,825	38,806
Other receivables		
Prepayments to suppliers	22,170	19,962
Deposits	9,076	7,331
Amounts due from related parties and third parties	3,727	3,575
Staff advances	904	609
Prepayment for investments	2,763	2,728
Others	616	597
	39,256	34,802
Less: Provision for impairment	(812)	(751)
Other receivables – net	38,444	34,051
Total trade and other receivables	82,269	72,857
Less: Non-current portion		
— Trade and other receivables	(3,365)	(2,491)
— Retentions	(786)	(797)
	(4,151)	(3,288)
Current portion	78,118	69,569

Please refer to Note 26 for the Group's trade and other receivables due from related parties.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

9. TRADE AND OTHER RECEIVABLES (Continued)

As at 30 June 2010, the ageing analysis of the trade receivables (including amounts due from related parties of trading in nature) are as follows:

	As at 30 June 2010 RMB'million Unaudited	As at 31 December 2009 RMB'million (See note 2(b))
Less than 1 year	36,801	32,396
1 year to 2 years	6,299	5,940
2 years to 3 years	2,068	1,927
3 years to 4 years	798	471
4 years to 5 years	293	252
Over 5 years	722	655
Trade receivables — gross	46,981	41,641
Less: Provision for impairment	(3,156)	(2,835)
Trade receivables — net	43,825	38,806

Majority of the Group's revenues is generated through engineering and construction services and settlement is made in accordance with terms specified in the contracts governing the relevant transactions. The Group does not hold any collateral as security.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

12. RESERVES

	Capital reserve	Fair value of available-for- sale reserve	Translation differences	Other reserves	Retained earnings	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
As at 1 January 2010						
(As previously reported)	15,029	206	(61)	193	2,392	17,759
Business combination under common control (a)	29	—	—	—	3	32
As at 1 January 2010 (As restated)	15,058	206	(61)	193	2,395	17,791
Profit for the period	—	—	—	—	2,275	2,275
Other comprehensive income:						
Fair value losses on available-for-sale financial assets, net of tax	—	(93)	—	—	—	(93)
Currency translation differences	—	—	(143)	—	—	(143)
Total comprehensive (expenses)/ income for the period	—	(93)	(143)	—	2,275	2,039
Transactions with owners						
Transaction with non-controlling interests	(8)	—	—	—	—	(8)
Capital contribution	380	—	—	—	—	380
Business combination under common control (a)	(39)	—	—	—	—	(39)
Appropriations	—	—	—	6	(6)	—
Others	—	—	—	(21)	—	(21)
Total transactions with owners	333	—	—	(15)	(6)	312
As at 30 June 2010	15,391	113	(204)	178	4,664	20,142

Notes to the Unaudited Condensed Consolidated Interim Financial Information

12. RESERVES (Continued)

		Fair value of				
	Capital	available-for-	Translation	Other	Retained	Total
	reserve	sale reserve	differences	reserves	earnings	
Note	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
As at 1 January 2009						
(As previously reported)	(10,983)	(7)	(10)	28	(33)	(11,005)
Business combination under common control (a)	29	—	—	—	—	29
As at 1 January 2009 (As restated)	(10,954)	(7)	(10)	28	(33)	(10,976)
Profit for the period	—	—	—	—	2,135	2,135
Other comprehensive income:						
Fair value gains on available-for-sale financial assets, net of tax	—	180	—	—	—	180
Currency translation differences	—	—	(52)	—	—	(52)
Total comprehensive income/ (expenses) for the period	—	180	(52)	—	2,135	2,263
Transactions with owners						
Dividends	21	—	—	—	(1,875)	(1,875)
Transaction with non-controlling interests		45	—	—	—	45
Appropriations		—	—	208	(208)	—
Total transactions with owners		45	—	208	(2,083)	(1,830)
As at 30 June 2009	(10,909)	173	(62)	236	19	(10,543)

Notes to the Unaudited Condensed Consolidated Interim Financial Information

12. RESERVES (Continued)

(a) Business combination under common control for the six months ended 30 June 2010

The adjustments for the common control combination of WMTE, WEEC and WMCC (Note 2(b)) on the Group's financial position as at 30 June 2010 and 31 December 2009 and the Group's results for the six months ended 30 June 2010 and 30 June 2009 are summarised as follow:

	The Group before acquired subsidiaries <i>RMB'million</i>	Acquired subsidiaries <i>RMB'million</i>	Consolidation adjustments <i>RMB'million</i>	Six months ended 30 June 2010 <i>RMB'million</i>
Six months ended 30 June 2010				
Revenue	88,351	845	(346)	88,850
Profit before income tax	3,602	10	4	3,616
Income tax expense	(1,018)	(2)	—	(1,020)
Profit for the period	2,584	8	4	2,596

Notes to the Unaudited Condensed Consolidated Interim Financial Information

12. RESERVES (Continued)

(a) **Business combination under common control for the six months ended 30 June 2010**
(Continued)

	The Group before acquired subsidiaries <i>RMB'million</i>	Acquired subsidiaries <i>RMB'million</i>	Consolidation adjustments <i>RMB'million</i>	As at 30 June 2010 <i>RMB'million</i>
As at 30 June 2010				
Assets				
Non-current assets	58,795	156	—	58,951
Current assets	200,505	1,673	(906)	201,272
Total assets	259,300	1,829	(906)	260,223
Equity				
Capital and reserves				
Share capital	19,110	105	(105)	19,110
Reserves	20,146	—	(4)	20,142
	39,256	105	(109)	39,252
Non-controlling interests	8,236	—	2	8,238
Total equity	47,492	105	(107)	47,490
Liabilities				
Non-current liabilities	55,223	4	—	55,227
Current liabilities	156,585	1,720	(799)	157,506
Total liabilities	211,808	1,724	(799)	212,733
Total equity and liabilities	259,300	1,829	(906)	260,223

Notes to the Unaudited Condensed Consolidated Interim Financial Information

12. RESERVES (Continued)

(a) **Business combination under common control for the six months ended 30 June 2010**
(Continued)

	As previously reported <i>RMB'million</i>	Acquired subsidiaries * <i>RMB'million</i>	Consolidation adjustments <i>RMB'million</i>	As restated <i>RMB'million</i>
Six months ended 30 June 2009				
Revenue	74,866	1,129	(853)	75,142
Profit before income tax	3,263	3	—	3,266
Income tax expense	(690)	—	—	(690)
Profit for the period	2,573	3	—	2,576

* The acquired subsidiaries include Shenyang MCC Jingcheng Real Estate Co., Ltd. ("Shenyang Real Estate") acquired in December 2009 (Note 12(b)).

Notes to the Unaudited Condensed Consolidated Interim Financial Information

12. RESERVES (Continued)

(a) **Business combination under common control for the six months ended 30 June 2010**
(Continued)

	As previously reported <i>RMB'million</i>	Acquired subsidiaries <i>RMB'million</i>	Consolidation adjustments <i>RMB'million</i>	As restated <i>RMB'million</i>
As at 31 December 2009				
Assets				
Non-current assets	53,469	143	—	53,612
Current assets	174,804	1,949	(802)	175,951
Total assets	228,273	2,092	(802)	229,563
Equity				
Capital and reserves				
Share capital	19,110	105	(105)	19,110
Reserves	17,759	(7)	39	17,791
	36,869	98	(66)	36,901
Non-controlling interests	6,823	—	66	6,889
Total equity	43,692	98	—	43,790
Liabilities				
Non-current liabilities	49,600	12	—	49,612
Current liabilities	134,981	1,982	(802)	136,161
Total liabilities	184,581	1,994	(802)	185,773
Total equity and liabilities	228,273	2,092	(802)	229,563

(b) **Business combination under common control for the year ended 31 December 2009**

In December 2009, the Group acquired from the Parent Group the entire equity interests in Shenyang Real Estate for a consideration of RMB31 million. Shenyang Real Estate and the Company are controlled and owned by the Parent. Accordingly, the aforesaid transaction is regarded as business combination under common control. Details of the business combinations under common control were disclosed in note 23(e) of the Group's annual financial statements for the year ended 31 December 2009.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

13. TRADE AND OTHER PAYABLES

	As at 30 June 2010 RMB'million Unaudited	As at 31 December 2009 RMB'million (See note 2(b))
Trade payables	55,676	50,280
Other payables		
Accrued payroll and related expenses	1,823	1,736
Accrued expenses	258	477
Purchase deposits from customers	31,766	28,578
Deposits payable	4,670	3,661
Other taxes payable	1,825	2,364
Long-term payables due to third parties	3,275	5,861
Others	3,203	2,806
	46,820	45,483
Total trade and other payables	102,496	95,763
Less: Non-current portion		
Other payables	(3,534)	(6,186)
Current portion	98,962	89,577

Please refer to Note 26 for the Group's trade and other payables to related parties.

As at 30 June 2010, long-term payables due to third parties are payables to trust companies including CITIC Trust Co., Ltd. and Zhong Hai Trust Co., Ltd.. The long-term payables due to third parties are secured, bear interests at rates ranging from 4.80% to 4.97% (31 December 2009: 4.80% to 4.97%) per annum and repayable between 1 to 2 (31 December 2009: 1 to 2) years.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

13. TRADE AND OTHER PAYABLES (Continued)

As at 30 June 2010, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) are as follows:

	As at 30 June 2010 RMB'million Unaudited	As at 31 December 2009 RMB'million (See note 2(b))
Within 1 year	42,598	39,638
1 year to 2 years	8,724	7,574
2 years to 3 years	2,786	1,818
Over 3 years	1,568	1,250
	55,676	50,280

14. BORROWINGS

	As at 30 June 2010 RMB'million Unaudited	As at 31 December 2009 RMB'million (See note 2(b))
Non-current		
Long-term bank borrowings		
— Secured (a)	11,273	9,349
— Unsecured	23,186	19,416
	34,459	28,765
Other long-term borrowings		
— Secured (a)	350	722
— Unsecured	6,312	3,392
— Debentures (b)	3,500	3,500
	10,162	7,614
Total non-current borrowings	44,621	36,379

Notes to the Unaudited Condensed Consolidated Interim Financial Information

14. BORROWINGS (Continued)

	As at 30 June 2010 RMB'million Unaudited	As at 31 December 2009 RMB'million (See note 2(b))
Current		
Short-term bank borrowings		
— Secured (a)	5,528	10,419
— Unsecured	23,593	13,542
	29,121	23,961
Other short-term borrowings		
— Unsecured	2,552	703
— Debentures (c)	3,950	—
	6,502	703
Current portion of long-term bank borrowings		
— Secured (a)	2,286	2,430
— Unsecured	3,968	1,014
	6,254	3,444
Current portion of other long-term borrowings		
— Secured (a)	3,722	3,500
Total current borrowings	45,599	31,608
Total borrowings	90,220	67,987

(a) Secured borrowings were secured by the Group's property, plant and equipment (Note 5), land use rights, properties under development and guarantees provided by certain related parties (Note 26).

(b) As approved by the National Development and Reform Commission, the Group issued debentures in July 2008 at par value of RMB3,500 million with a maturity of ten years from issuance. The debentures are unsecured, bear interests at a fixed rate of 6.1% per annum for the first five years and at prevailing market interest rate for the remaining five years.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

14. BORROWINGS (Continued)

- (c) As approved by the People's Bank of China, the Group issued short-term debentures in May 2010 at par value of RMB4,000 million, with a maturity of one year from issuance. The debentures are unsecured, and bear interests at a fixed rate 2.73% per annum, out of which RMB50 million was issued to a subsidiary of the Company.
- (d) Other borrowings excluding debentures mainly represent borrowings from the non-bank financial institutions, with the net book value of RMB12,936 million as at 30 June 2010 (31 December 2009: RMB8,317 million).

15. OTHER INCOME

	Six months ended 30 June	
	2010 RMB'million Unaudited	2009 RMB'million Audited
Dividend income from available-for-sale financial assets	18	8
Rental income	130	107
Government grants	221	332
Others	77	43
	446	490

16. OTHER (LOSSES)/GAINS — NET

	Six months ended 30 June	
	2010 RMB'million Unaudited	2009 RMB'million Audited
Financial assets at fair value through profit or loss		
— Fair value losses	(1)	—
Net foreign exchange losses	(197)	(47)
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition (Note 22)	—	110
Gain on disposal of property, plant and equipment	50	37
Gain/(Loss) on disposal of financial assets	16	(21)
Others	—	(8)
	(132)	71

Notes to the Unaudited Condensed Consolidated Interim Financial Information

17. EXPENSES BY NATURE

	Six months ended 30 June	
	2010 RMB'million Unaudited	2009 RMB'million (See note 2(b))
Raw materials, purchased equipment and consumables used	39,604	26,244
Changes in inventories of finished goods and work-in-progress	(9,043)	(1,559)
Subcontracting charges	38,657	34,601
Employee benefits	5,607	4,328
Depreciation of property, plant and equipment	964	773
Fuel and heating expenditure	328	244
Business tax and other transaction taxes	2,257	1,835
Travelling expenses	607	500
Office expenses	824	717
Transportation costs	261	206
Operating lease rentals	1,456	1,381
Provision for impairment of trade and other receivables	396	404
Research and development costs	385	300
Repairs and maintenance	446	388
Advertising expenditure	109	50
Reversal of foreseeable losses on construction contracts	(1)	(10)
Amortisation of land use rights	64	70
Amortisation of mining rights	3	3
Depreciation of investment property	11	11
Amortisation of intangible assets	33	19
Insurance expenditure	56	33
Provision/(reversal of) for impairment on inventories	20	(7)
Professional and technical consulting fees	335	336
Bank charges relating to operating activities	217	145
Others	742	470
Total cost of sales, selling and marketing expenses and administrative expenses	84,338	71,482

Notes to the Unaudited Condensed Consolidated Interim Financial Information

18. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2010 RMB'million Unaudited	2009 RMB'million (See note 2(b))
Interest expense		
— Bank borrowings wholly repayable within 5 years	1,520	1,262
— Bank borrowings wholly repayable over 5 years	215	136
— Other borrowings	422	314
	2,157	1,712
Less: Amounts capitalised in construction-in-progress (a)	(234)	(76)
Less: Amounts capitalised in properties under development (b)	(549)	(515)
	1,374	1,121
Net foreign exchange gains on borrowings	(20)	(6)
Discount charges on bank acceptance notes	67	59
	1,421	1,174
Finance costs		
Interest income on bank deposits	(187)	(166)
Interest income on held-to-maturity financial assets	(2)	(1)
Interest income on loans to related parties (Note 26(a))	(47)	(37)
Others	(46)	(25)
	(282)	(229)
Finance income		
	1,139	945

(a) Interest expenses was capitalised as construction-in-progress at the average effective rate of 5.13% (six months ended 30 June 2009: 5.91%) per annum for the six months ended 30 June 2010.

(b) Interest expense was capitalised as properties under development at the average effective rate of 5.85% (six months ended 30 June 2009: 7.07%) per annum for the six months ended 30 June 2010.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

19. TAXATION

(a) Income tax expense

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit in Hong Kong for the period.

Most of the Group companies are subject to PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 25% on the assessable income of each of these companies during the period as determined in accordance with the relevant PRC income tax rules and regulations, except that certain subsidiaries were exempted or taxed at a preferential rate of 7.5% to 15%.

Taxation of overseas companies within the Group has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries or jurisdictions in which these companies operate.

The amount of income tax expense charged to the condensed consolidated income statement represents:

	Six months ended 30 June	
	2010 RMB 'million Unaudited	2009 RMB 'million Audited
Current income tax:		
— PRC enterprise income tax	970	810
— Overseas taxation	2	4
	972	814
PRC land appreciation tax (b)	138	6
Deferred income tax	(90)	(130)
	1,020	690

Notes to the Unaudited Condensed Consolidated Interim Financial Information

19. TAXATION (Continued)

(a) Income tax expense (Continued)

The difference between the actual income tax charged in the consolidated income statement and the amount which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Six months ended 30 June	
	2010 RMB 'million Unaudited	2009 RMB 'million (See note 2(b))
Profit before income tax	3,616	3,266
Tax calculated at the statutory tax rate of 25%	904	817
Effect of difference between applicable tax rate and statutory tax rate to Group companies	(141)	(236)
Tax losses for which no deferred income tax asset was recognised	243	137
Income not subject to taxation	(82)	(58)
Expense not deductible for tax purpose	33	59
Additional tax relief	(39)	(23)
Utilisation of previously unrecognised tax losses and other deferred tax assets	6	(9)
Deferred tax changes resulted from statutory tax rate changes	1	(8)
Effect of higher tax rate for the appreciation of land in the PRC	104	4
Others	(9)	7
Income tax expense	1,020	690

(b) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

20. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the six months ended 30 June 2010 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2010 Unaudited	2009 (See note 2(b))
Profit attributable to equity holders of the Company (RMB 'million)	2,275	2,135
Weighted average number of ordinary shares in issue (million)	19,110	13,000
Basic earnings per share (RMB)	0.12	0.16

(b) Diluted

As the Company had no dilutive ordinary shares for the period, diluted earnings per share for the period is the same as basic earnings per share.

21. DIVIDENDS

The dividend declared by the Company for the six months ended 30 June 2009 was RMB1,875 million.

No interim dividend was declared by the Board of Directors for the six months ended 30 June 2010.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS

The Group acquires equity interests in certain entities from third parties. These acquisitions were accounted for using the acquisition method of accounting from the dates when these entities were controlled by the Group:

(a) For the six months ended 30 June 2010

The Group acquired equity interests in the following companies:

Company name	Acquisition date	Percentage of equity interests acquired	Consideration <i>RMB 'million</i>
Tibet Huayi Trade Industry Co., Ltd.	28 February 2010	100%	387
Zhuhai Mingye Computer Software Development Co., Ltd.	27 April 2010	100%	27
			<u>414</u>
			<i>RMB 'million</i>
Purchase consideration			
— Cash paid			27
— Fair value of receivables held before the business combination			387
			<u>414</u>
Total purchase consideration			<u>414</u>

Notes to the Unaudited Condensed Consolidated Interim Financial Information

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(a) For the six months ended 30 June 2010 (Continued)

	<i>RMB 'million</i>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2
Property, plant and equipment	162
Land use rights	34
Mining rights	686
Inventories	49
Trade and other receivables	51
Trade and other payables	(317)
Deferred income tax liabilities	(96)
	<hr/>
Total identifiable net assets	571
Non-controlling interest in acquirees	(253)
Goodwill	96
	<hr/>
	414
	<hr/> <hr/>

The goodwill of RMB96 million is attributable to the synergies expected to arise after the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

(i) Related acquisition costs

Related acquisition costs of RMB383,000 were charged to the condensed consolidated income statement.

(ii) Revenue and profit contribution

The acquired businesses contributed revenue of nil and net loss of RMB4 million to the Group for the period from the respective acquisition dates to 30 June 2010.

If the acquisitions had occurred on 1 January 2010, the Group's revenue and profit for the six months ended 30 June 2010 would have been RMB88,850 million and RMB2,594 million respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2010, together with the consequential tax effects.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

22. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS (Continued)

(b) For the six months ended 30 June 2009

The Group acquired equity interests in the following companies:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration RMB 'million
Zhongaoxin Real Estate Co., LTD.	23 March 2009	100%	18
Changchun Jingcheng Machinery Co., LTD.	8 April 2009	55%	—*
Tianjin Binhai Jintang Construction & Development Co., Ltd.	22 June 2009	90%	90
			108

* Cash consideration is less than RMB1 million

Please refer to Note 41 of the Group's annual financial statements for the year ended 31 December 2009 for details of these business combinations.

23. FINANCIAL GUARANTEE

The nominal values of the financial guarantees issued by the Group as at 30 June 2010 is analysed as below:

	As at 30 June 2010 RMB 'million Unaudited	As at 31 December 2009 RMB 'million Audited
Outstanding guarantees (i)		
— Third parties	533	1,596
— Related parties	100	50
	633	1,646

(i) The Group has acted as the guarantor mainly for various external borrowings made by certain associates and certain third parties. The third parties are mainly the companies in which the Group holds small portion of equity interest or the Group's long-term suppliers.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

24. CONTINGENCIES

	As at 30 June 2010 RMB 'million Unaudited	As at 31 December 2009 RMB 'million Audited
Pending lawsuits/arbitrations	359	462

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for the above disclosed amount as the outcome of the pending lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

25. COMMITMENTS

(a) Capital commitments

	As at 30 June 2010 RMB 'million Unaudited	As at 31 December 2009 RMB 'million Audited
Contracted but not yet incurred		
— Property, plant and equipment	31,531	32,432
— Mining rights	4,945	5,434
— Intangible assets	311	505
Total	36,787	38,371

(b) Investment commitments

	As at 30 June 2010 RMB 'million Unaudited	As at 31 December 2009 RMB 'million Audited
Investment commitments	661	661

Notes to the Unaudited Condensed Consolidated Interim Financial Information

25. COMMITMENTS (Continued)

(c) Operating leasing commitments

The Group leases various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2010 RMB 'million Unaudited	As at 31 December 2009 RMB 'million Audited
Less than 1 year	5	4
1 year to 5 years	9	9
Over 5 years	23	29
Total	37	42

26. RELATED PARTY DISCLOSURES

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "state-owned enterprises").

In accordance with IAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group (collectively referred as the "other state-owned enterprises"). On that basis, related parties include the Parent and its subsidiaries, other state-owned enterprises and their subsidiaries, other entities and corporations in which the Group is able to control or exercise significant influence and key management personnel of the Company and the Parent as well as their close family members. For the purpose of the related party transaction disclosures, the Group early adopted IAS 24 (Revised) (Note 3(b)), and management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in the Interim Financial Information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the period and balances as at 30 June 2010 arising from related party transactions.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

26. RELATED PARTY DISCLOSURES (Continued)

(a) Significant related party transactions

With Parent and fellow subsidiaries

	Six months ended 30 June	
	2010 <i>RMB 'million</i> Unaudited	2009 <i>RMB 'million</i> Audited
Sales of goods or provision of services	2,648	204
Purchases of goods or services	200	21
Rental income	1	—
Rental expense	28	10

With associates

	Six months ended 30 June	
	2010 <i>RMB 'million</i> Unaudited	2009 <i>RMB 'million</i> Audited
Sales of goods or provision of services	133	85
Purchases of goods or services	1	22
Loans to associates	83	50
Guarantees provided to associates	50	—
Interest income	47	37

During the six months ended 30 June 2010, the impairment charges of receivables due from associates amounting to RMB2 million (six months ended 30 June 2009:RMB3 million) were recognised as expense.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

26. RELATED PARTY DISCLOSURES (Continued)

(a) Significant related party transactions (Continued)

With non-controlling interests

	Six months ended 30 June	
	2010 RMB 'million Unaudited	2009 RMB 'million Audited
Sales of goods or provision of services	906	642
Purchases of goods or services	60	35
Guarantee from non-controlling interests	26	56
Rental expense	3	—

Impairment charges of receivables due from non-controlling interests amounted to nil (six months ended 30 June 2009: RMB1 million) were recognised as expense for the six months ended 30 June 2010.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

26. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties

(i) Trade and other receivables

	As at 30 June 2010 RMB 'million Unaudited	As at 31 December 2009 RMB 'million (See note 2(b))
Trade receivables due from		
— Parent and fellow subsidiaries	1,302	94
— Associates	21	16
— Non-controlling interests	176	151
Less: provision	(2)	(2)
	1,497	259
Other receivables due from		
— Parent and fellow subsidiaries	39	203
— Associates	1,213	1,080
— Non-controlling interests	473	701
Less: provision	(5)	(3)
	1,720	1,981
	3,217	2,240

As at 30 June 2010, other receivables comprise loans to associates of approximately RMB1,148 million (31 December 2009: RMB1,022 million). These unsecured loans bear interests at rates ranging from 3% to 10% per annum with loan periods from 6 months to 3 years.

Other than the above loans to associates, other receivables are unsecured, interest free and have no fixed term of repayment.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

26. RELATED PARTY DISCLOSURES (Continued)

(b) Balances with related parties (Continued)

(ii) Trade and other payables

	As at 30 June 2010 RMB 'million Unaudited	As at 31 December 2009 RMB 'million (See note 2(b))
Trade payables due to		
— Parent and fellow subsidiaries	133	220
— Associates	48	86
— Non-controlling interests	522	388
	703	694
Other payables due to		
— Parent and fellow subsidiaries	50	38
— Associates	5	—
— Non-controlling interests	245	113
	300	151
	1,003	845

Other payables are unsecured, interest free and have no fixed term of repayment.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

26. RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation

Key management includes directors (executive and non-executive), supervisors, president, vice presidents, secretary to the Board of Directors and chief accountant of the Company. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2010 <i>RMB 'thousand</i> Unaudited	2009 <i>RMB 'thousand</i> Audited
Basic salaries, housing allowances, other allowances and benefits-in-kind	1,649	1,546
Contributions to pension plans	188	141
	1,837	1,687

(d) Transactions and balances with other state-owned enterprises

In the ordinary course of business, the Group sells goods and services to, and purchase goods and services from other state-owned enterprises based on terms as set out in the underlying agreements, market prices or actual cost incurred, or as mutually agreed.

Group places deposits to and receives loans mainly from state-owned financial institutions in the ordinary course of business. The deposits and loans are in accordance with the terms as set out in the respective agreements, and the interest rates are set at prevailing market rates.

Definitions and Glossary of Technical Terms

DEFINITIONS

2009 AGM	the annual general meeting of the Company held on 29 June 2010
Articles of Association	Articles of Association of Metallurgical Corporation of China Ltd.*
A Shares	the domestic shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
A Share Offering	the offering by the Company of the A Shares in the PRC, which was completed on 21 September 2009
A Share Prospectus	the prospectus of the Company in relation to the A Share Offering dated 18 September 2009
Baosteel or Baosteel Group	Baosteel Group Corporation and, except where the context otherwise requires, all of its associates
Board	the board of Directors of the Company
China or PRC	the People's Republic of China, excluding, for purposes of this document only, Hong Kong, Macao and Taiwan
controlling shareholder	has the meaning ascribed thereto under the Hong Kong Listing Rules
Corporate Governance Code	the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules
CSRC	the China Securities Regulatory Commission
Director(s)	the director(s) of the Company, including all executive, non-executive and independent non-executive Directors
Global Offering or H Share Offering	Hong Kong public offering and international offering
H Shares	the overseas listed foreign invested shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
H Share Prospectus	the prospectus of the Company in relation to the H Share offering dated 11 September 2009
HK\$ or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong

Definitions and Glossary of Technical Terms

Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards promulgated by the International Accounting Standards Board, which include the International Accounting Standards
independent Director or independent non-executive Director	a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company's affairs
MCC, our Company, the Company, we or us	Metallurgical Corporation of China Ltd.*, a joint stock limited company with limited liability incorporated under the laws of the PRC on 1 December 2008 and, except where the context otherwise requires, all of its subsidiaries or, where the context refers to any time prior to its incorporation, the businesses which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it pursuant to the Parent Reorganization
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules
Pansteel	Panzhijuan Iron & Steel (Group) Corporation and, except where the context otherwise requires, all of its associates
Parent	China Metallurgical Group Corporation
Reorganisation	the reorganisation of the Parent, the particulars of which are described in "History and Reorganization" and Appendix IX "Statutory and General Information - Reorganization" in H Share Prospectus
Renminbi or RMB	Renminbi Yuan, the lawful currency of the PRC
Reorganisation Agreement	the agreement dated 5 December 2008 entered into between the Parent and the Company relating to the Parent Reorganisation

Definitions and Glossary of Technical Terms

Reporting Period	From 1 January 2010 to 30 June 2010
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
SFO or Securities and Futures Ordinance	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shanghai Stock Exchange	the Shanghai Stock Exchange
Shareholder	holders of shares of the Company
State Council	the State Council of the People's Republic of China
Supervisor	the supervisor(s) of Metallurgical Corporation of China Ltd.*
Supervisory Committee	the Supervisory Committee of the Metallurgical Corporation of China Ltd.*
Tangsteel	Tangshan Iron and Steel Co., Ltd. and, except where the context otherwise requires, all of its associates
US\$ or U.S. dollars	United States dollars, the lawful currency of the United States

Definitions and Glossary of Technical Terms

GLOSSARY

BOT	Build-Operate-Transfer, a business model in which the proprietor grants the rights to a contracted enterprise by concession agreement to undertake the financing, design, construction, operation and maintenance of a project (mainly infrastructure projects), which enterprise can charge users a fee during the concession period to cover its costs of investment, operations and maintenance as well as reasonable returns, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor
BT	Build-Transfer, a business model in which the contractor undertakes the financing of construction expenditures and transfers the project back to the proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in instalments pursuant to relevant agreements
design	application of engineering theories and techno-economic approaches, based on the prevailing technical standards, for conducting all-round design (including requisite non-standardized equipment design) and techno-economic analysis on newly constructed, expansion and reconstruction projects in respect of their technical process, land construction, civil works and environmental works; provision of design papers and blueprints as the basis for construction work
EPC, EPC contracting	commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be responsible for the quality, safety, timely delivery and cost of the project
EPCM	engineering, procurement and construction management, which refer to the engineering, procurement and construction management services provided by contractors to property owners. Construction company enters into contracts with property owners directly and provide construction service. Contractors usually manage such construction service on behalf of property owners. In such case, property owners are mainly responsible for project management, and cost and risk control
mineral resources	a concentration or occurrence of minerals of intrinsic economic interest in or on the earth's crust in such form, quality and quantity such that there are reasonable prospects for eventual economic extraction

Definitions and Glossary of Technical Terms

ore	the portion of a reserve from which a metal or valuable metal can be extracted profitably under current or immediately foreseeable economic conditions
smelting	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed in ores
social welfare housing	social welfare housing provided by the government to medium- and low-income households with certain restrictions on the eligibility of applicants, construction standards, selling price or rent standards, including, but not limited to, dually restricted commodity housing (with restrictions on price and size), economically affordable housing, policy-based rental housing and low-rent housing
steel making	the process whereby impurities in pig iron and scrap steel are oxidized and removed to an appropriate degree, followed by the addition of iron alloys, to produce a material with appropriate amounts of carbon and constituent elements of the alloys
steel rolling	a process whereby a rolling mill is used to turn billets and slabs into steel products of various kinds
steel structure	a structure composed of various steel materials connected with each other through welding or bolted joints, which is widely used in industry, civil construction, railways, highways, bridges, power station structural frames, power transmission tower structures, television broadcasting towers, offshore oil platforms, gas pipes, urban infrastructure, national defense construction, and other areas



Address : No.28 Shuguang Xili, Chaoyang District, Beijing, China
Website : www.mccchina.com
Contact No. : +86-10-5986 8666
Fax : +86-10-5986 8999
Post Code : 100028
Email : ir@mccchina.com