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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Metallurgical Corporation of China Ltd. (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

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

(Stock Code: 1618)

**(1) CONNECTED TRANSACTION  
DISPOSAL OF MCC TOWER  
(2) ADJUSTMENTS TO INVESTMENT PROJECTS FINANCED BY  
PART OF THE PROCEEDS FROM THE A SHARE OFFERING**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**CIMB Securities (HK) Limited**

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A letter from the board of directors of the Company is set out on pages 1 to 11 of this circular. A letter from the Independent Board Committee (as defined in this circular) is set out on pages 12 to 13 of this circular. A letter from CIMB Securities (HK) Limited setting out its advice and recommendation to the Independent Board Committee and the Independent Shareholders (as defined in this circular) are set out on pages 14 to 20 of this circular. A valuation report from Beijing Zhongzi Real Estate Appraisal Co., Ltd., an affiliate of China Assets Appraisal Co., Ltd., is set out on pages 21 to 45 of this circular.

A notice convening the EGM (as defined in this circular) to be held at Beijing Yuanwanglou Hotel, No. 57 North 3rd Ring Road Central, Beijing, 100088, the People’s Republic of China at 9:00 a.m. on Tuesday, 16 March 2010, is set out on pages 50 to 52 of this circular. If you intend to appoint a proxy to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for the holders of the H shares and to the office of the board of directors of the Company at MCC Tower, No. 28, Shuguang Xili, Chaoyang District, Beijing, 100028, the People’s Republic of China, for the holders of the A shares, not less than 24 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting should you so wish.

29 January 2010

\* For identification purpose only

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## CONTENTS

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	<i>Page</i>
DEFINITIONS .....	ii
LETTER FROM THE BOARD .....	1
APPENDIX I — LETTER FROM THE INDEPENDENT BOARD COMMITTEE .....	12
APPENDIX II — LETTER FROM CIMB .....	14
APPENDIX III — VALUATION REPORT .....	21
APPENDIX IV — GENERAL INFORMATION .....	46
NOTICE OF EXTRAORDINARY GENERAL MEETING .....	50

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## DEFINITIONS

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*In this circular, the following expressions have the meanings set out below unless the context otherwise requires.*

- “A Share Offering” means the offering by the Company of the A Shares in the PRC, which was completed on 21 September 2009;
- “A Shares” means 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;
- “Beijing Zhongzi” means Beijing Zhongzi Real Estate Appraisal Co., Ltd. (北京中資房地產土地評估有限公司), an affiliate of China Assets Appraisal Co., Ltd. (中資資產評估有限公司);
- “Board” means the board of directors of the Company;
- “Company” means Metallurgical Corporation of China Ltd. (中國冶金科工股份有限公司), 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;
- “Connected Transaction” means the transaction contemplated under the Agreement;
- “Directors” means director(s) of the Company, including all executive, non-executive and independent non-executive directors;
- “Domestic Shares” means ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which have been subscribed for in RMB;
- “EGM” means the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve (among other things) the terms of the Agreement relating to sale of the MCC Tower on Tuesday, 16 March 2010;
- “H Shares” means overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange;

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## DEFINITIONS

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“Hong Kong”	means Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Independent Board Committee”	means an independent committee of the Board comprising Jiang Longsheng, Wen Keqin, Liu Li, Chen Yongkuan and Cheung Yukming, all of whom are independent non-executive Directors;
“Independent Financial Adviser” or “CIMB”	means CIMB Securities (HK) Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder;
“Independent Shareholders”	means the Shareholders other than the Parent;
“Latest Practicable Date”	means 25 January 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Macau”	means the Macau Special Administrative Region of the People’s Republic of China;
“MCC Tower”	means an office building located at No.28 Shuguang Xili, Chaoyang District, Beijing, the PRC;
“Parent”	means China Metallurgical Group Corporation (中國冶金科工集團有限公司), a state-owned enterprise incorporated under the laws of the PRC and the Company’s controlling shareholder;
“Parent Group”	means collectively, the Parent and its subsidiaries (excluding the Company and its subsidiaries);

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## DEFINITIONS

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“PRC”	means the People’s Republic of China, but for the purposes of this document only, excludes Hong Kong, Macau and Taiwan;
“Properties Leasing Agreement”	means the properties leasing agreement entered into by the Company and the Parent on 5 December 2008, pursuant to which the Parent Group has agreed to lease certain buildings and properties to the Company for general business and ancillary purposes;
“Prospectus”	means the prospectus of the Company dated 11 September 2009;
“RMB”	means Renminbi, the lawful currency of the PRC;
“SFO”	means the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong;
“Shareholders”	means shareholders of the Company;
“Supervisory Committee”	means the supervisory committee of the Company; and
“Supervisors”	means the supervisors of the Company.

*The informal translation or transliterations of Chinese formal names are for reference only.*

*For illustration purpose only, the figures in RMB referred to in this circular have been translated into Hong Kong dollars on the basis of an assumed exchange rate of RMB1.00 = HK\$1.1348.*



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

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

(Stock Code: 1618)

*Executive Directors:*

Mr. Wang Weimin  
Mr. Shen Heting

*Non-executive Directors:*

Mr. Liu Benren  
Mr. Guo Wenqing

*Independent Non-executive Directors:*

Mr. Jiang Longsheng  
Mr. Wen Keqin  
Mr. Liu Li  
Mr. Chen Yongkuan  
Mr. Cheung Yukming

*Registered Office:*

No. 11 Gaoliangqiao Xiejie  
Haidian District  
Beijing, 100081  
People's Republic of China

*Principal place of business in China:*

MCC Tower  
No.28 Shuguang Xili  
Chaoyang District  
Beijing, 100028  
People's Republic of China

29 January, 2010

*To the Shareholders*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION  
DISPOSAL OF MCC TOWER**

**(2) ADJUSTMENTS TO INVESTMENT PROJECTS FINANCED BY  
PART OF THE PROCEEDS FROM THE A SHARE OFFERING**

**1. INTRODUCTION**

The Company announces that, its subsidiary, Beijing Guangyuanli Properties Development Co., Ltd. (北京廣源利房地產開發有限公司) (“Guangyuanli”) has entered into a sale and purchase of commercial properties agreement in relation to the MCC Tower with the Company's controlling shareholder, the

\* For identification purpose only

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## LETTER FROM THE BOARD

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Parent on 30 December 2009 (the “Agreement”), pursuant to which Guangyuanli agrees to sell and the Parent agrees to purchase the MCC Tower at a consideration of RMB2,350,250,000 (equivalent to approximately HK\$2,667,063,700).

Guangyuanli is a wholly-owned subsidiary of MCC Real Estate Co., Ltd. (中冶置業有限責任公司), a non wholly-owned subsidiary of the Company. The Parent is the controlling shareholder of the Company, holding 12,265,108,500 A Shares, representing approximately 64.18% equity interests in the Company’s registered capital. As such, the Parent is a connected person of the Company and the Agreement constitutes a connected transaction of the Company under the Listing Rules.

### 2. THE AGREEMENT

The particulars of the Agreement are summarised as follows:

#### **Date**

30 December 2009

#### **Parties**

Seller: Beijing Guangyuanli Properties Development Co., Ltd.

Purchaser: The Parent

#### **Subject Matter**

Subject to satisfaction of the conditions precedent under the Agreement, the Parent agrees to purchase, and Guangyuanli agrees to sell the MCC Tower.

#### **Conditions Precedent**

Completion of the Agreement is subject to the satisfaction of conditions precedent, including, but not limited to, the following:

- (1) the Company’s Board’s and the shareholders’ approvals of the Connected Transaction;
- (2) the approval of the Connected Transaction by the Parent’s board and competent authorities;
- (3) the compliance with the relevant requirements under applicable laws and regulations, including, but not limited to, PRC Administration of Urban Real Property Law;

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## LETTER FROM THE BOARD

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- (4) the obtaining by Guangyuanli of planning acceptance approval documentation and the record sheet of completion of construction inspection, as well as the area measurement technical report issued by a certified real estate survey and drawing institution; and
- (5) the compliance with applicable laws and regulations and applicable requirements of listing rules of the places where the Company's shares are listed, in order for approving the Connected Transaction.

### 3. CONSIDERATION

The consideration of the MCC Tower is RMB2,350,250,000 (equivalent to approximately HK\$2,667,063,700), which will be satisfied in cash by the Parent by internal resources in the following manner:

- (1) RMB1,175,125,000 (equivalent to approximately HK\$1,333,531,850), representing 50% of the consideration for the Agreement payable by the Parent to Guangyuanli within 3 days after the Agreement becoming effective;
- (2) RMB705,075,000 (equivalent to approximately HK\$800,119,110), representing 30% of the consideration for the Agreement payable by the Parent to Guangyuanli on the date of the registration of the title transfer of the MCC Tower from Guangyuanli to the Parent and after the release of all charges on the MCC Tower; and
- (3) RMB470,050,000 (equivalent to approximately HK\$533,412,740), representing 20% of the consideration for the Agreement payable by the Parent to Guangyuanli within 6 months after the registration of the title transfer of the MCC Tower.

The parties to the Agreement have engaged Beijing Zhongzi (an independent valuer that has obtained the Qualification Certificate of Real Estate Price Appraisal Institution (First Grade) issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部)), an affiliate of China Assets Appraisal Co., Ltd. (中資資產評估有限公司), to perform an independent valuation of the MCC Tower to be disposed of by Guangyuanli. In accordance with the relevant PRC laws and regulations relating to the management of state-owned assets, the consideration under the Agreement is required to be determined based on the appraised value of the MCC Tower by a certified valuer registered in the PRC. Accordingly, the consideration of the disposal of the MCC Tower was arrived at based on the appraised value of the MCC Tower to be disposed of by Guangyuanli as reported on by the independent real estate valuer after arm's length negotiations between the parties and on normal commercial terms.



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## LETTER FROM THE BOARD

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The appraised value and the unaudited net book value of the MCC Tower as at 9 December 2009 are RMB2,350,250,000 (equivalent to approximately HK\$2,667,063,370) and RMB1,408,420,000 (equivalent to approximately HK\$1,598,275,016), respectively, as set out in the assets valuation report prepared by Beijing Zhongzi and the management accounts of Guanyuanli. The appraised value of the MCC Tower has been derived based on a market comparison method and a present earning value method. During the latest two financial years ended 31 December 2008, there had been no record of profits attributable to the MCC Tower as the MCC Tower was under construction.

#### **4. BACKGROUND OF THE MCC TOWER**

In November 2006, Guanyuanli commenced the construction of the MCC Tower, which was completed in September, 2009. The MCC Tower has a total gross floor area of approximately 92,089 square meters and a total site area of approximately 9,414 square meters and is used for commercial purposes as office premises.

Upon completion of the Agreement, the Company will lease from the Parent a part of the MCC Tower for an approximate gross floor area of 5,868 square meters through entering into a property leasing agreement with the Parent in accordance with the terms (including price determination) of the Properties Leasing Agreement as disclosed in the Prospectus (pages 255-256). The Company currently expects its annual aggregate amount of expenditure for the lease of the MCC Tower, together with the annual aggregate amount of expenditure for other leased properties under the Properties Leasing Agreement, will not exceed the de minimis threshold of 0.1% as stipulated under Rule 14A.33(3) of the Listing Rules and are therefore fully exempted from the disclosure and shareholders' approval requirements under the Listing Rules. If the aggregate annual rent payable by the Company to the Parent Group results in the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules on an annual basis to exceed 0.1%, the Company will take the necessary steps to comply with applicable Listing Rules.

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## LETTER FROM THE BOARD

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### 5. FINANCIAL EFFECT OF THE TRANSACTION

As at 9 December 2009, the unaudited net book value of the MCC Tower was approximately RMB1,408,420,000 (equivalent to approximately HK\$1,598,275,016). Accordingly, a gain of approximately RMB652,204,900 (equivalent to approximately HK\$740,122,121) after deducting business tax, urban construction tax, surcharge for education, stamp duty and land appreciation tax and approximately RMB489,153,700 (equivalent to HK\$555,091,619) after further deducting income tax is expected to accrue to the Company as a result of the disposal of the MCC Tower. The Company will recognise a gain on disposal of the MCC Tower in its consolidated income statement as at the completion date of the Agreement. The proceeds from the disposal of the MCC Tower will be applied as general working capital and/or for the future development of the Company's business.

### 6. REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company is of the view that the disposal of the MCC Tower has the following strategic importance:

- (1) the Company considers that in order to keep the working capital of the Company at certain level due to the current rapid growth of the Company's business, the disposal of the MCC Tower will improve the Company's cash reserves, accelerate the turnover of its assets and save financial costs;
- (2) the Company considers that by choosing the Parent as the purchaser of the MCC Tower, it could effectively guard against the commercial execution risks associated with the sale of an asset valued at a relatively high consideration; and
- (3) after the completion of the disposal of the MCC Tower, the Company currently intends to lease the MCC Tower back from the Parent for use as its office premises at rental rates that will not be higher than the prevailing market rent. The Company therefore considers that the terms of such lease would enable the Company to secure a long term lease at relatively stable rental prices, as well as maintaining the stability of the Company's office premises and avoiding the potential risks arising from directly owning the premises.

**7. LISTING RULES IMPLICATIONS**

As at the date of this circular, the Parent is the controlling shareholder of the Company, holding 12,265,108,500 A Shares, representing approximately 64.18% equity interests in the Company's total issued capital. As such, the Parent is a connected person of the Company and the Agreement constitutes a connected transaction of the Company under the Listing Rules. The transaction contemplated under the Agreement will constitute a Connected Transaction under the Listing Rules. As at the Latest Practicable Date, none of the Parent's associate is interested in any equity interests in the Company's total issued capital.

As certain applicable percentage ratio(s) (as defined in rule 14.07 of the Listing Rules) with respect to the Connected Transaction are higher than 2.5%, the Connected Transaction is subject to the reporting and announcement requirements set out under rules 14A.45 to 14A.47 and independent shareholders approval requirements set out under rule 14A.48 of the Listing Rules. The Parent, being a connected person of the Company, is required under the Listing Rules to abstain from voting at the EGM in relation to the resolutions approving the Connected Transaction.

The voting at the EGM will be taken by a poll. The Company will make an announcement of the poll results in accordance with the relevant requirements under the Listing Rules as soon as possible.

**8. INFORMATION ABOUT THE COMPANY AND THE PARENT GROUP**

The Company is a large industrial group operating in various specialised fields, across different industries and in many countries, with engineering and construction, resources development, equipment manufacturing and property development as its principal business. The Company has core competency in innovation and industrialisation of technology and strong construction capabilities in metallurgical engineering.

Guangyuanli is primarily engaged in property development.

The Parent Group is primarily engaged in papermaking business.

**9. ADJUSTMENTS TO INVESTMENT PROJECTS FINANCED BY PART OF THE PROCEEDS FROM THE A SHARE OFFERING**

The A Share Offering of the Company comprised an offering of 3,500,000,000 A Shares for subscription. The net proceeds from the A Share Offering amounted to approximately RMB18.36 billion (equivalent to approximately HK\$20.83 billion).

In accordance with the disclosure in the Prospectus (page 381) in respect of the use of proceeds from the A Share Offering, an amount of RMB5 billion (equivalent to approximately HK\$5.67 billion) of such proceeds is to be used for equipment purchase. The equipment that the Company had intended to purchase includes equipment for its engineering and construction business and its research and development.

In addition, in accordance with the prospectus of the Company for its A Share Offering dated 17 September 2009 (pages 417-418) also provided a description of the use of proceeds from the A Share Offering. It also contained a breakdown of the categories of the equipment intended to be purchased by the Company.

The Company intends to adjust certain categories of the equipment to be purchased. The adjustments mainly include: a decrease in purchasing amount for certain cranes, rock-soil construction equipment, and an increase in purchasing amount for ground construction equipment, steel structure machining equipment, major inspection, testing equipment, major R&D equipment, major pilot production technical equipment, environmental protection equipment and other equipment. However, the total amount of the proceeds from the A Share Offering allocated to equipment purchase remains the same at RMB5 billion (equivalent to approximately HK\$5.67 billion).

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## LETTER FROM THE BOARD

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The original equipment list and investment budget for the equipment purchase for the Company's engineering and construction business and research & development are set out as follows:

No.	Equipment	Qty <i>(Unit/set)</i>	Average unit price <i>(RMB00'000'000)</i>	Total amount <i>(RMB00'000'000)</i>
1	Construction equipment	74	0.44	32.31
	Double shield hard rock TBM and its ancillary equipment	2	2.64	5.28
	Hydraulic trench cutters	4	0.23	0.94
	Slurry pressure balance shield machine	5	0.73	3.65
	Segments Precast Factory	2	0.46	0.91
	Full revolving all casing engineering drilling machine	5	0.27	1.06
	900T crawling crane	5	0.87	4.35
	750T crawling crane	7	0.64	4.45
	400T crawling crane	9	0.45	4.04
	350T crawling crane	13	0.33	4.23
	200T crawling crane	10	0.18	1.82
	Hydraulic pressure grab machine	12	0.13	1.58
2	Major inspection and testing equipment	21	0.08	1.64
3	Major welding R&D equipment	23	0.06	1.37
4	Major material R&D equipment	11	0.10	1.14
5	Major pilot production technical equipment	13	0.16	2.03
6	Pyrolytic steel slag environmental protection technical equipment	2	3.86	7.72
7	Other equipment	10	0.40	<u>4.04</u>
	Total			<u><u>50.24</u></u>

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## LETTER FROM THE BOARD

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After adjusting certain categories of the equipment to be purchased, the equipment list and investment budget for the equipment purchase for the Company's engineering and construction business and research & development are set out as follows:

No.	Equipment	Qty <i>(Unit/set)</i>	Average unit price <i>(RMB0'000)</i>	Total amount <i>(RMB00'000'000)</i>
1	Construction equipment	1199	200.33	24.02
	Including: cranes	167	641.48	10.71
	Ground construction equipment	173	137.63	2.38
	Rock-soil construction equipment	398	190.08	7.57
	Steel structure machining equipment	461	72.90	3.36
2	Major inspection and testing equipment	466	56.31	2.62
3	Major R&D equipment	1700	24.29	4.13
4	Major pilot production technical equipment	618	136.97	8.46
5	Environmental protection equipment	1382	17.94	2.48
6	Other equipment	3743	22.52	<u>8.43</u>
	Total			<u><u>50.15</u></u>

Reasons for the Company's proposed adjustments to certain categories of equipment to be purchased are, amongst others, as follows:

- (1) due to the restructuring of the domestic iron and steel and nonferrous metallurgical industry, the types of projects to be undertaken by the Company in, amongst others, its engineering and construction business are expected to change;
- (2) the demand of the Company's subsidiaries, engaging in the infrastructure construction in metallurgical, transportation and energy sectors, for different categories of the equipment have also shifted in order to be more in line with the market needs; and
- (3) the proposed adjustment increases the amount of the equipment for research and development, which will improve the level of technology of the equipment to be used by the Company.

For more details, please refer to the overseas regulatory announcement issued by the Company on 12 January 2010 in relation to the adjustments to certain investment projects financed by part of the proceeds from the A Share Offering (the "Announcement"). The web link of the Announcement is as follows: <http://www.hkexnews.hk/listedco/listconews/sehk/20100112/LTN20100112015.PDF>.

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## LETTER FROM THE BOARD

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It is also referred to in the Announcement that the sponsor of the Company for its A Share Offering, CITIC Securities Co., Ltd., is of the opinion, amongst others, that the adjustments to the categories of equipment to be purchased will help improve the proceeds utilisation efficiency and do not impair the Shareholders' interest.

The Board resolved on 8 and 9 January 2010 to submit to the Shareholders (including both the A Shares Shareholders and the H Shares Shareholders) for consideration and approval of the proposed adjustments to certain investment projects financed by part of the proceeds from the A Share Offering.

### **10. EGM**

A notice convening the EGM to be held at Beijing Yuanwanglou Hotel, No.57 North 3rd Ring Road Central, Beijing, 100088, the PRC at 9:00 a.m. on Tuesday, 16 March 2010, is set out on pages 50 to 52 of this circular at which, among other things, an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the terms of the Agreement relating to the Connected Transaction and an ordinary resolution will be proposed to the Shareholders to consider, if thought fit, approve the adjustments to certain investment projects financed by part of the proceeds from the A Share Offering.

A form of proxy for use at the EGM is also enclosed with this circular. If you intend to appoint a proxy to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon. In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for the holders of the H Shares and to the office of the Board of the Company at MCC Tower, No. 28, Shuguang Xili, Chaoyang District, Beijing, 100028, the PRC, for the holders of the A Shares, not less than 24 hours before the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

For information purpose only, Shareholders who intend to attend the EGM in person or by proxy shall return the reply slip to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for the holders of the H Shares and to the office of the Board of the Company at MCC Tower, No. 28, Shuguang Xili, Chaoyang District, Beijing, 100028, the PRC, for the holders of the A Shares, on or before Wednesday, 24 February 2010 by hand, by post or by fax.

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## LETTER FROM THE BOARD

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### 11. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) confirm that the Connected Transaction has been carried out in the ordinary and usual course of business of the Company and on normal commercial terms which are fair and reasonable and in the interests of the Shareholders as a whole.

The Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the terms of the Agreement relating to the Connected Transaction.

Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM.

In addition, the Directors confirm that the proposed adjustments to certain investment projects financed by part of the proceeds from the A Share Offering as discussed above are in the best interest of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend all Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the proposed adjustments to certain investment projects financed by part of the proceeds from the A Share Offering.

### 12. GENERAL

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 12 to 13 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and to the letter from CIMB as set out on pages 14 to 20 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Agreement relating to the Connected Transaction.

Your attention is also drawn to the additional information set out elsewhere in this circular and in the appendices.

Yours faithfully

By order of the Board of Directors

**Metallurgical Corporation of China Ltd.\***

**Liu Benren**

*Chairman*



*The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the terms of the Agreement relating to the Connected Transaction, which has been prepared for the purpose of inclusion in this circular.*

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

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

(Stock Code: 1618)

29 January, 2010

*To the Independent Shareholders*

Dear Sirs,

**CONNECTED TRANSACTION  
DISPOSAL OF MCC TOWER****INTRODUCTION**

We refer to the circular of the Company dated 29 January 2010 (the “Circular”) of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to advise you whether the terms of the Agreement relating to the Connected Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote for the relevant resolution at the EGM. CIMB Securities (HK) Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

\* *For identification purpose only*

We wish to draw your attention to the letter from the Board set out on pages 1 to 11 of the Circular and the letter from CIMB as set out on pages 14 to 20 of the Circular, which contains, inter alia, its advice and recommendation regarding the terms of the Agreement relating to the Connected Transaction with the principal factors and reasons for its advice and recommendation.

**RECOMMENDATION**

Having considered the terms of the Agreement relating to the Connected Transaction and taking into account the advice and recommendation of CIMB, we are of the view that the terms of the Agreement relating to the Connected Transaction are fair and reasonable and in the interests of the Company and its shareholders as a whole. The terms of the Agreement relating to the Connected Transaction are on normal commercial terms and entered into in the ordinary and usual course of business of the Company. We therefore recommend that the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
Independent Board Committee  
**Jiang Longsheng**  
**Wen Keqin**  
**Liu Li**  
**Chen Yongkuan**  
**Cheung Yukming**  
*Independent Non-Executive Directors*

*The following is the full text of the letter of advice from CIMB to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Agreement regarding the Connected Transaction, which has been prepared for the purpose of inclusion in this circular.*



**CIMB Securities (HK) Limited**

25/F, Central Tower  
28 Queen's Road Central  
Hong Kong

29 January 2010

*To the Independent Board Committee and the Independent Shareholders of  
Metallurgical Corporation of China Ltd.*

Dear Sirs/Madams,

## **CONNECTED TRANSACTION DISPOSAL OF THE MCC TOWER**

### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to recommend whether the terms of the Agreement, details of which are contained in a circular (the "Circular") of the Company to the Shareholders dated 29 January 2010 of which this letter forms part, are fair and reasonable and on normal commercial terms and whether the disposal (the "Disposal") of the MCC Tower as contemplated under the Agreement is in the interests of the Company and the Shareholders as whole. Expressions used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 30 December 2009, the Company announced that on the same date, Guangyuanli, one of the subsidiaries (as defined in the Listing Rules) of the Company, entered into the Agreement with the Parent, pursuant to which Guangyuanli agrees to sell and the Parent agrees to purchase the MCC Tower at a consideration (the "Consideration") of RMB2,350,250,000.

Given that as at the Latest Practicable Date, the Parent was the controlling shareholder of the Company with an interest of 12,265,108,500 A Shares, representing approximately 64.18% equity interest in the Company's total issued capital, the Parent is a connected person of the Company under the Listing Rules and thus the entering into of the Agreement by Guangyuanli with the Parent constitutes a connected transaction for the Company under the Listing Rules.

Given that certain percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) in respect of the Consideration exceed 2.5% and the Consideration exceeds HK\$10 million, the Agreement and the transactions contemplated thereunder shall be subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

The Parent and its associates (as defined in the Listing Rules) shall abstain from voting at the EGM in relation to the resolution for approval of the Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising Mr Jiang Longsheng, Mr Wen Keqin, Mr Liu Li, Mr Chen Yongkuan and Mr Cheung Yukming, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder.

### **BASIS OF OUR OPINION**

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and up to the date of the EGM. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of Guangyuanli, the Company, the Parent, or any of their respective subsidiaries or associates. We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

#### **1. Background information relating to the Company**

The H Shares of the Company have been listed on the main board of the Hong Kong Stock Exchange since 24 September 2009. As stated in the Prospectus, the Company is a large industrial group in various specialised fields across different industries and in many countries, with engineering and construction, resources development, equipment manufacturing and property development as its principal businesses. The property development business of the Company comprises the development and sale of residential and commercial properties and primary land development.

The Prospectus also states that the Company was one of the central state-owned enterprises approved by the State-owned Assets Supervision and Administration Commission of the State Council to engage in property development as a principal business. As advised by the Company, as at the Latest Practicable Date, the Company has been operating its property development business in various cities of the PRC, including Beijing where the project of the MCC Tower is located in, and 中冶置業 (MCC Real Estate), as the Company's brand for property development, has established a good reputation and a high level of market recognition. We also note from the Prospectus that the Company's property development business generated a revenue of approximately RMB4,199 million for the year ended 31 December 2008 and approximately RMB1,831 million for the six months ended 30 June 2009, accounting for approximately 2.7% and approximately 2.5% of the total revenue of the Company during the respective period.

Having considered the above, we are of the view that the Disposal falls within the ordinary and usual course of business of the Company.

## **2. Information relating to the MCC Tower**

As stated in the valuation report dated 29 January 2010 (the "Valuation Report"), which is prepared by Beijing Zhongzi (the "Valuer"), being an independent valuer and an affiliate of China Assets Appraisal Co., Ltd., and produced in Appendix III of the Circular, the MCC Tower, the construction of the main body of which commenced in June 2007 and completed in September 2009, has been developed into a composite commercial building comprising offices, commercial property and underground car parking spaces with a total site area of approximately 9,414.05 square meters ("sq.m.") and a total gross floor area of approximately 92,089.14 sq.m. Based on the Valuation Report, the market value (the "Latest Appraised Value") of the MCC Tower in existing state (without taking into account the outstanding charges related to the MCC Tower) as at 9 December 2009 is RMB2,350,250,000. As stated in the letter from the Board of the Circular (the "Letter from the Board"), the MCC Tower had an unaudited net book value of RMB1,408,420,000 as at 9 December 2009.

We have discussed with the Valuer in respect of the valuation methods adopted by it in valuing the MCC Tower and understand that, given that (i) the construction of the MCC Tower has been completed; and (ii) there exists an active real estate market with comparable property sale and purchase transactions and property leasing transactions in the region where the MCC Tower is located in, the Valuer has determined the Latest Appraised Value based on the weighted average of the respective value derived from the market comparison method and the present earning value approach. We have also obtained and discussed with the Valuer the underlying supporting documents including but not limited to the comparable sale and purchase transactions and the property leasing transactions. Based on our discussion with the Valuer and review of the work done by the Valuer, we are of the view that the valuation methods adopted by the Valuer in valuing the MCC Tower are appropriate. The Valuer also advised that these two methods of property valuation are two of the most commonly used valuation methods for valuation of properties the construction of which have been completed.

As stated in the Valuation Report, the Valuer has obtained 房地產估價資質證書(一級) (the Qualification Certificate of Real Estate Price Appraisal Institution (First Grade)) issued by 中華人民共和國住房和城鄉建設部 (the Ministry of Housing and Urban-Rural Development of the People's Republic of China ("MOH")).

The Valuation Report also states that the Valuer was established on 13 April 2001 and is the standing committee member of 北京房地產估價師和土地估價師協會 (Beijing Real Estate Valuer and Land Valuer Association) as well as the standing committee member of 中國房地產估價師與房地產經紀人學會 (China Institute of Real Estate Appraisers and Agents), and has confirmed that the Valuation Report contains all material details of the basis of valuation which follows the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005, as required under the Listing Rules. The valuers participating in the appraisal of the MCC Tower are certified real estate valuers approved by and registered with MOH.

As stated in the Letter from the Board, the Company currently intends to enter into a property leasing agreement with the Parent to lease back from the Parent a part of the MCC Tower with a total gross floor area of approximately 5,868 sq.m. for purpose of office premises.

### **3. Reasons for entering into of the Agreement**

As advised by the Company, the Disposal has strategic importance to the Company in terms of (i) improving the Company's cash reserves and reducing its financial costs; (ii) guarding against the commercial execution risks associated with the sale of an asset, such as the MCC Tower, with a relatively high consideration; (iii) enabling the Company to secure a long term lease at a relatively stable rental price after the aforesaid leasing back by the Company; and (iv) allowing the Company to enjoy economic benefits arising from the Disposal, such as shortening of the payback period and reduction in taxation obligations of the Company related to the MCC Tower as compared with the leasing-out of the MCC Tower by the Company through direct holding of the MCC Tower.

Based on the above, our discussion with management of the Company in relation thereto and the possible financial effects of the Disposal on the Company as elaborated below, we concur with the view of management of the Company that the Disposal is in the interests of the Company and the Shareholders as a whole.

#### 4. Major terms of the Agreement

(i) *Consideration*

The Agreement stipulates that the Consideration is RMB2,350,250,000, which, as stated in the Letter from the Board, was arrived at based on the Latest Appraised Value of the MCC Tower of RMB2,350,250,000 as reported in the Valuation Report after arm's length negotiations between the parties and on normal commercial terms.

We have discussed with management of the Company in respect of basis for determination of the Consideration and are advised that, in accordance with the relevant PRC laws and regulations relating to the management of state-owned assets, the Consideration is required to be determined by reference to the appraised value of the MCC Tower by a certified valuer registered in the PRC. We also note from the Letter from the Board that the unaudited net book value of the MCC Tower as at 9 December 2009 was RMB1,408,420,000.

Having considered the above, namely (i) the Consideration is equivalent to the Latest Appraised Value; and (ii) the unaudited net book value of the MCC Tower as at 9 December 2009, we consider that the Consideration is fair and reasonable.

(ii) *Payment*

The Agreement stipulates that the Consideration will be satisfied by the Parent in cash in the following manners:

- (1) RMB1,175,125,000, representing 50% of the Consideration, payable by the Parent within 3 days after the Agreement becoming effective;
- (2) RMB705,075,000, representing 30% of the Consideration, payable by the Parent on the date of the registration of the title transfer of the MCC Tower from Guangyuanli to the Parent and after the release of all charges on the MCC Tower; and
- (3) RMB470,050,000, representing 20% of the Consideration, payable by the Parent within six months after the registration of the title transfer of the MCC Tower.

Having considered the above, we are of the view that the major terms of the Agreement, namely the Consideration and the payment term, are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

## 5. Possible financial effects of the Disposal

### (i) *Earnings*

As stated in the Letter from the Board, upon completion of the Disposal, the Company is expected to record a gain on the Disposal. Based on the Consideration of RMB2,350,250,000 and the unaudited net book value of approximately RMB1,408,420,000 of the MCC Tower as at 9 December 2009 in accordance with the People's Republic of China Generally Accepted Accounting Principles (the "PRC GAAP") and after deduction of business tax, urban construction tax, surcharge for education, stamp duty, land appreciation tax and income tax arising from the Disposal, the gain on the Disposal will be approximately RMB489,153,700 in accordance with the respective PRC GAAP and the International Financial Reporting Standards, which amount is subject to the book value of the MCC Tower on the date of completion of the Disposal.

### (ii) *Net assets value*

Taking into account the above mentioned expected gain arising from the Disposal, the net assets value of the Company is expected to be increased by an amount of approximately RMB489,153,700 (subject to adjustment explained above).

As compared with the unaudited net assets value of the Company as at 30 September 2009, being approximately RMB44,822,790,000, as stated in the third quarterly results announced by the Company on 29 October 2009 and prepared in accordance with the PRC GAAP, we concur with the view of management of the Company that it is not expected that there would be any material impact on the net assets value of the Company immediately upon completion of the Disposal.

### (iii) *Working capital*

As stated in the Agreement, the Parent shall pay to the Company the Consideration of RMB2,350,250,000 in cash.

As stated in the Letter from the Board, the proceeds from the Disposal will be applied by the Company as general working capital and/or for the future business development of the Company. In this regard, we consider that the working capital position of the Company is expected to be improved immediately upon completion of the Disposal.



(iv) *Gearing ratio*

Taking into account the above mild increase in the net assets value of the Company attributable to the Disposal, we concur with the view of management of the Company that it is not expected that there would be any material impact on the Company's gearing ratio (being derived by dividing total interest-bearing bank and other borrowings by total interest-bearing bank and other borrowings and total equity attributable to the Shareholders) immediately upon completion of the Disposal.

## RECOMMENDATION

Having considered the principal factors and reasons referred to in the above, in particular:

- the Disposal falls in the ordinary and usual course of business of the Company;
- the Disposal has strategic importance to the Company in terms of, among others, cash reserves, commercial execution risks, security of long term lease, and economic benefits arising from the Disposal;
- the basis for determination of the Consideration, being equivalent to the Latest Appraised Value, is fair and reasonable; and
- the expected gain on the Disposal and the expected improvement in the working capital position of the Company immediately upon completion of the Disposal as explained above;

we are of the opinion that the Disposal is in the interests of the Company and the Shareholders as a whole and that the entering into of the Agreement falls within the ordinary and usual course of business of the Company, and the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders and, the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**CIMB Securities (HK) Limited**

**Alex Lau**

**Heidi Cheng**

*Director*

*Director*

*Head of Corporate Finance*

*The following is the body of the valuation report, prepared for the purpose of inclusion in this circular received from Beijing Zhongzi Real Estate Appraisal Co., Ltd., an independent valuer, in connection with their valuation of the MCC Tower as at 9 December 2009.*

**PROPERTY APPRAISAL REPORT ON  
THE MARKET VALUE OF MCC TOWER PROPOSED TO BE DISPOSED BY  
BEIJING GUANGYUANLI  
PROPERTIES DEVELOPMENT CO., LTD.**

Zhongzi Fang Ping Bao Zi (2009) No.728

**To Beijing Guangyuanli Properties Development Co., Ltd.,**

Beijing Zhongzi Real Estate Appraisal Co., Ltd. was engaged by Beijing Guangyuanli Properties Development Co., Ltd. to conduct a valuation on MCC Tower (located at A1 Shuguang Xili, Chaoyang District, Beijing and is proposed to be disposed by Beijing Guangyuanli Properties Development Co., Ltd.) in accordance with the regulations in China on assets appraisal and the generally accepted assets appraisal methods in the light of objective, independent, fair and scientific principles. The appraisers had, according to necessary valuation procedures, appraised the asset to be valued by site visits, market surveys and inquiries, gone through the necessary verification and confirmation of relevant information such as legal documents and evidential documents for assets ownership supplied by Beijing Guangyuanli Properties Development Co., Ltd. and reflected the market value of the asset as at the base day (i.e. 9 December 2009) on a fair basis. Beijing Zhongzi Real Estate Appraisal Co., Ltd. has confirmed to Beijing Guangyuanli Properties Development Co., Ltd. that the following valuation report contains all material details of the basis of valuation which has followed the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005. The results of the appraisal are reported as follows:

**I. CONSIGNER, THE VALUED ENTITY AND OTHER USERS OF THE APPRAISAL REPORT AS AGREED IN ENGAGEMENT LETTER**

This appraisal serves the purpose of sale of assets. The consigner and property holder is Beijing Guangyuanli Properties Development Co., Ltd.. Users of the appraisal report other than the consigner are the parties relevant to this sale and those prescribed by laws and regulations.

**(a) Information on the Consigner***(1) Registration*

Company Name: Beijing Guangyuanli Properties Development Co., Ltd.

Registered Address: Room 301, Floor 3, Building 1, A7 Nanshuiguan, Guangqumen, Chongwen District, Beijing

Legal Representative: Li Meilin

Registered Capital: RMB20 million

Type of Enterprise: Limited liability (Owned by a legal person)

*(2) Business Scope: real estate development; sale of commercial buildings. (excluding those requiring special approval)*

**(b) Information on the Valued Entity**

The valued asset is owned by Beijing Guangyuanli Properties Development Co., Ltd., which is a wholly-owned subsidiary of MCC Real Estate Co., Ltd. (中冶置業有限責任公司). MCC Real Estate Co., Ltd. is the primary subsidiary of Metallurgical Corporation of China Ltd. with the qualifications for being a “first class” real estate development enterprise, and is an enterprise engaged in large and diversified state-owned real estate developments by virtue of its real estate development, property management, and new community commercial services.

**II. PURPOSE OF THE APPRAISAL**

Beijing Guangyuanli Properties Development Co., Ltd. proposes to sell the MCC Tower located at A1 Shuguang Xili, Chaoyang District, Beijing which is a property developed by the company itself. An appraisal on the market value of the asset is required to be conducted so as to provide a reference as to the value of the asset in the proposed sale.

### III. OBJECT AND SCOPE OF THE APPRAISAL

#### (a) Object of the Appraisal

The valuation object is MCC Tower at A1 Shuguang Xili, Chaoyang District, Beijing owned by Beijing Guangyuanli Properties Development Co., Ltd. as at the base day. The carrying amounts of the building as at the base day was RMB1,408,420,000.

##### (1) *Assets Location*

The MCC Tower is located at Beijing Yansha International Business Community which is easily accessible by public transport, of good town planning and a popular venue for the business sector. Located at the intersection of the East Third Ring Road and expressway of the Beijing Capital International Airport, this community is adjacent to The Third Embassy Area. The project is located at the northwest corner of Sanyuan Bridge, Chaoyang District, the intersection of the airport highway and the East Third Ring Road, thereby becoming a landmark of the area. The advantages of its location can be categorized into three aspects, namely transportation, commerce and natural environment:

**Transportation:** The object of the appraisal (MCC Tower) is located at the intersection of the East Third Ring Road and the expressway of the Beijing Capital International Airport, northwest corner of Sanyuan Bridge and is adjacent to the North Third Ring East Road and Jing-Shun Road, Jianguomenwai Street, Chaoyang District, Beijing. It is about 8 kilometers to Beijing Railway Station and about 10 kilometers to Tian'anmen. With North Third Ring East Road as its major access, it enjoys an intensive regional network as it further connects the arterial roads of Second Ring and Fourth Ring as well as the airport highway. Most bus routes meet at the North Third Ring. Moreover, the tower is adjacent to the Sanyuanqiao Subway Station and the Airport Express, which provides convenient transportation. The tower is 1.5 kilometers to the old block of China International Exhibition Center, the most well-equipped exhibition service center in Beijing. It only takes 10 to 15 minutes' drive to the Beijing Capital International Airport.

**Commerce:** Such prime geographical location has attracted numerous international high-end properties such as Top Land, Phoenix City, COSCO Square, China Travel Service Plaza and Silver Tower. The area is supported by comprehensive ancillary facilities and is a popular location for shopping centers, banks and restaurants.

**Natural environment:** MCC Tower is separated from the arterial road with greenery. To its southeast there is a central garden with extensive greenery, which offers a nice natural environment.

(2) *Overview of Assets Use and Functions*

The main body of MCC Tower commenced construction on 24 June 2007 and was completed on 30 July 2009. On 15 September 2009, the construction passed the acceptance inspection. With a concrete framed structure comprised of square steel tubes and a reinforced concrete core tube structure, this tower has 5 underground floors (including 1 underground mezzanine floor) and 36 floors above ground. Of which the underground 4th floor is built with a height of 3.4m while the underground 3rd and 2nd floors are built with a height of 3.2m. The underground 1st floor has a height of 5m and the underground 1st mezzanine floor has a height of 4m. Above the ground, the 1st and 2nd floors have a height of 5m, and the 3rd to 36th floors have a height of 4m. The building height of cornice is 147.8m and the highest point is 154.0m.

This tower is a high-rise office building. The 1st and 2nd floors of which are for commercial use whereas the 3rd to 36th floors are for office use. The underground 1st mezzanine floor is for the parking of bicycles whereas on the underground 1st floor there are a staff canteen, conference rooms, property management office, a storehouse and an engine room. The underground 2nd to 4th floors are mainly for car parking, equipment facilities, and civil air defense purposes.

In December 2008, the MCC Tower was awarded the title of “The Country Landmark of Beijing in China After 30 Years of Reform and Opening” at the 2008-2009 Annual Conference on China Real Estate. In March 2009, the building was awarded the “Gold Cup” trophy and certificate under the Beijing Architecture Great Wall Award and the “Gold Cup” trophy and certificate under the Beijing Steel Structure National Excellent Project Award.

(i) *Architectural Design*

As a first class office building with a super 5A intelligent system, MCC Tower is positioned to be the Asian headquarters and Beijing offices of international major companies, and the headquarters of large and medium-sized domestic enterprises.

The building was designed by first-class domestic and foreign design companies and designers. The architectural design was completed by America HOK Studio (美國HOK建築設計事務所) and the construction design was completed by the Beijing Institute of Architectural Design. The engineering consultant was ARUP America(美國奧雅納公司) and the property consultant was CBG Holdings(世邦衛理仕).

The building adopts a semi-reflective silver facade and dark grey hollow glass wall. The external wall and the roof of the building are composed of new insulation materials for insulation. The external windows use single-framed, double-layered hollow low-E glass wall to decrease the heat transfer coefficient so as to reduce the cold and heat loads, save energy and operational cost. The ratio of windows to walls meets the energy-saving requirement. The building has an emergency shelter on the 15th floor and a heliport at the rooftop.

(ii) Transport Design

There is an entrance/exit at the south, north and east wings of MCC Tower respectively where mobile vehicles can enter the basement garage from the north wing. The south and east exits are mainly entrances/exits for pedestrians. The entrance/exit at the east wing is within 200 meters to the Subway Station.

For vertical transportation, all elevators are selected from the premium series of Schindler elevators. Of which 14 are passenger elevators (7 for the upper floors and 7 for the lower floors) at a high speed of 5 m/s for which the waiting time is less than 35 seconds. There are 2 fire services elevators, one of which is a VIP elevator in normal days and may be used by corporate management. Besides, there are 2 interchange elevators which deliver passengers from the underground to the 1st floor aboveground. One elevator is for civil air defense and freight purposes. Escalators are installed from the underground 1st floor (including the mezzanine floor) to the 2nd floor aboveground.

(iii) Equipment and Facilities

**Power Transformation and Distribution System:** MCC Tower is a first-class high-rise building and a grade-1 power user. The power supply from the Power Supply Bureau is connected by cables to two independent circuits of 10KV power. A diesel power generator of 1,500KW is installed to provide backup power supply for fire services, some elevators and machine rooms with low voltage.

**Low Voltage System:** MCC Tower is equipped with automated fire alarm system and a control system, public and emergency response and broadcast system, premises integrated cabling, cable TV and satellite reception system, building automated control system, car parking management automation system, security system, underground wireless communication system and property wireless communication system etc.

**Air-conditioning System:** VAV variable air volume air-conditioning can ensure that the variation of indoor temperature will be no more than 0.5 °C . Fresh air is collected from the rooftop and is channeled to the office area through air conditioning upon purification and humidity adjustment. The volume of fresh air is standardized to be 40m<sup>3</sup>/person/hour, which is well above the international standard to ensure comfort and health of human beings to the fullest. The air conditioning system at the office area is divided into internal and external zones. In winters, warm outdoor fresh air is provided to the internal zone through vertical air passages.

**Water Supply and Drainage System:** Two 200mm 2-circuit water supply pipes are connected from the municipal water supply network. The drainage system separates the drainage of waste water and sewage. A water neutralizing processing system is installed for effective water saving.

**Fire Services System:** MCC Tower is a first class high-rise building with automatic fire extinguishing system installed on each floor. Each floor is a fire prevention area installed with an automatic fire alarm system, a linked fire services system, a fire emergency response and broadcast system, a fire telephone system, elevator monitoring system, an emergency lighting system, electricity leakage and fire alarm system.

(iv) Decorations and Renovations

The lobby on the 1st floor, the underground 1st floor, the common areas on the 2nd to 36th floors and offices on the 19th to 36th floors are exquisitely decorated. Other office areas and the 1st and 2nd commercial floors have completed initial decoration.

The 10 meter high lobby on the 1st floor has a facade entirely covered by a tempered glass external curtain wall. The floor and the surface of its internal wall are decorated by Travertino Navona imported from Rome, Italy. Its suspended ceiling consists of aluminum alloy carved wood decorative panels. Both sides of the lift lobby have short cuts for staff. The standard floor has a lift lobby with the floor and wall face covered with imported cavity-stone. The wall face and floor of the corridor are covered by imported wallpaper and carpet respectively. The office areas on the 19th to 36th floors are decorated with plasterboard suspended ceilings, walls adorned with imported wallpapers and carpeted floors. The office areas on the 3rd to 18th floors have completed initial decoration, floors of which are polished by cement but there is no suspended ceiling in the area.

The underground 1st floor has two escalators connecting the lobby. The walls and floors of the common areas are paved with Royal Botticino stone. The walls of the dining hall are adorned with wallpapers decorated with carved wood while the floor consists of ceramic tile. The floor of the meeting room is paved with hardwood and the walls are decorated with carved wood and wallpapers. A central control system is installed for conference management. The underground 2nd to 4th floors are for equipment facilities and garage purposes. The garage is equipped with an intelligent management system and its floor consists of a free flowing terrace.

Supported by comprehensive facilities, this tower features “seven utilities” including access, water supply and drainage, electric power, telecommunications, gas, heat, and sound infrastructure. Amenities such as water and electricity are in good condition. As the valued asset is a new office building, the equipment, facilities and renovations of the building are also in good conditions as at the valuation base date.

(3) *Ownership of the Valued Asset*

As at the time of appraisal, the valued asset has obtained the State-owned Land Use Certificate (Jing Chao Guo Yong (2003 Chu) No. 0089). The land lot is located at A1 Shuguang Xili, Chaoyang District. The land use right is for transfer purpose and will expire on 26 November 2052. However, no real estate title certificate has been obtained. Relevant certificates showed that both the property owner and user of the land use rights of the valued asset is Beijing Guangyuanli Properties Development Co., Ltd.. The land use purposes of MCC Tower involve business, commerce, and underground car parking spaces. The building is used as offices, commercial property and underground car parking spaces. As set out in relevant certificates, MCC Tower has been mortgaged as at the valuation base date. According to the Consigner, there is no dispute over the ownership of MCC Tower.



According to the data and information supplied by the Consigner, MCC Tower was mortgaged to Beijing Branch of the Bank of Communications Co., Ltd. on 28 March 2007 for an amount of RMB500 million for a term commencing from 2 April 2007 to 31 December 2009. On 25 September 2009, it was further mortgaged to Beijing Tiantan Sub-branch of the Bank of Communications Co., Ltd., Beijing Wanda Plaza Sub-branch of China Merchants Bank Co., Ltd., and Beijing Jianguomen Sub-branch of Shenzhen Development Bank Co., Ltd. for an amount of RMB700 million for a mortgage period from 27 September 2009 to 30 September 2017.

**(b) The Scope of Appraisal**

The scope of appraisal involves MCC Tower located at A1 Shuguang Xili, Chaoyang District, Beijing. With a concrete framed structure comprised of square steel tubes and a reinforced concrete core tube structure, this tower has 5 underground floors (including 1 underground mezzanine floor) and 36 floors above ground. The building has a gross floor area of 92,089.14sq.m. (of which 27,681.25sq.m. are underground and 64,407.89sq.m. are aboveground). The land use right is for transfer purpose and involves an area of 9,414.05sq.m.. The abovementioned asset under appraisal is a real estate project developed by Beijing Guangyuanli Properties Development Co., Ltd., which passed the acceptance inspection on 15 September 2009.

The valuers verified that the asset under valuation was consistent with that confirmed to be valued at the time of the appraisal engagement.

**IV. VALUE TYPE AND ITS DEFINITION**

Based on the purpose of this appraisal and the characteristics of the valued asset, a market value is concluded in the appraisal results of this appraisal report. Market value refers to the estimated value of the valued asset in a normal and fair deal made on the valuation base date between a willing buyer and a willing seller wherein both parties act knowledgeably and without compulsion.

**V. VALUATION BASE DATE**

The valuation base date of this project is 9 December 2009 according to the plan and schedule of the project.

**VI. BASIS FOR APPRAISAL**

This appraisal is mainly conducted on the following basis:

**(a) Action Basis**

1. The engagement agreement on this assets appraisal.

**(b) Legal Basis**

1. “Administration Measures on Appraisal of State-owned Assets”(《國有資產評估管理辦法》)(Order No.91 of the State Council on 16 November 1991);
2. “Detailed Implementing Rules on Administration Method on Appraisal of State-owned Assets”(《國有資產評估管理辦法施行細則》)(Guo Zi Ban Fa [1992] No. 36) issued by the former State Administration of State-owned Assets;
3. “Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises”(《企業國有資產監督管理暫行條例》)(Order No. 378 of the State Council in 2003);
4. “Provisional Measures on the Administration of Appraisal of State-owned Assets of Enterprises”(《企業國有資產評估管理暫行條例》)(Order No. 12 of the Stated-owned Assets Supervision and Administration Commission of the State Council);
5. “Notice of Related Issues in Strengthening Administration on State-owned Assets Appraisal”(《關於加強企業國有資產評估管理工作有關問題的通知》)(Guo Zi Wei Chan Quan [2006] No. 274) of the State-owned Assets Supervision and Administration Commission of the State Council;

6. “Notice on Transmitting the Regulatory Opinions on Operations of Assets Appraisal (Trial Implementation)” (《國家國有資產管理局關於轉發〈資產評估操作規範意見(試行)〉的通知》) (Guo Zi Ban Fa [1996] No.23) issued by the former State Administration of State-owned Assets;
7. Policies and regulations concerning corporate finance, accounting, taxation and assets management promulgated by the Ministry of Finance, the People’s Bank of China, State Administration of Taxation, and the former State Administration of State-owned Assets; and
8. Other relevant laws, regulations, and notices etc.

**(c) Standards Basis**

1. “Notice on Publication of ‘Assets Evaluation Standards-Basic Standards’ and ‘Assets Evaluation Professional Ethics Standards-Basic Standards’” (Cai Qi [2004]20) issued by the Ministry of Finance;
2. “Notice on ‘Assets Evaluation Standards-Appraisal Report’ and Seven Assets Evaluation Standards” (Zhong Ping Xie [2007]189) issued on 28 November 2007;
3. “Guide on Enterprise State-Owned Assets Appraisal Report” (Zhong Ping Xie [2008]218) issued on 28 November 2008; and
4. “Enterprise Accounting Standards-Basic Standards”, Order 33, issued by the Ministry of Finance in 2006.

**(d) Ownership Basis**

1. Business licenses for the consigners and the valued entity;
2. The state-owned land use certificate;
3. Technical report on the land survey of the building;
4. Record sheet of completion of construction inspection;
5. Material contracts and agreements etc;
6. Other title certificates.

(e) **Basis of determination of prices**

1. Code for Real Estate Appraisal (《房地產估價規範》) (GB/T 50291-1999);
2. Valuers' on-site investigation record and other information of the appraisers;
3. The market price data inquired by the valuers and inquired prices from major real estate agencies.

(f) **Other Basis**

Other relevant data supplied by the valued entity.

## VII. APPRAISAL METHOD

(a) **Selection and Determination of Method**

The valued assets were real estate property projects. The market neighbouring to the valued assets is relatively mature and there were similar real estate transactions and leases available for reference, therefore, the market comparison method and the present earning value method were used as the appraisal methods. The valuation conclusion is based on the results of the two appraisal methods calculated on weighted average method.

(b) **The Use of Market Comparison Method**

The market comparison method is to compare the property under appraisal with a similar property which has been traded on a day around the valuation base date. The estimated value of the valued property was calculated by making appropriate adjustments to the price of similar real estate transactions. In particular, based on the substitution principle, the valued property fixed in a market was compared with three other similar transactions of real estate which had the same value in use, being in similar geographical environment and the transactions of which were completed. The value of the real estate property on the valuation base date was calculated by making adjustments to the price in actual cases with respect to transaction factors, transaction dates, regional and individual factors of the transaction and useful life of the property.

The formula of market comparison method is:

Adjusted Price in Actual Case = Price in Actual Case  $\times a \times b \times c \times d \times e$

$a = [(\text{Adjustment for Transaction Date})/100]$

$b = [100/(\text{Adjustment for Transaction Factor})]$

$c = [100/(\text{Adjustment for Regional Factor})]$

$d = [100/(\text{Adjustment for Individual Factor})]$

$e = \text{Adjustment coefficient of useful life}$

The valued asset is the benchmark for comparison with 100 points. The market value of the valued asset on the valuation base date is obtained upon adjustments.

Detailed procedures are as follows:

*1. Selection of Transaction Cases*

Based on the substitution principle, real estate transaction cases which are similar to the valued property are selected in the same region or in a market with similar demand and supply conditions. The criteria for selection of transaction cases are:

- (i) The reference is a similar and completed real estate property transaction in the vicinity or in a market with similar supply and demand conditions;
- (ii) The transaction type of the reference and the valued assets are the same and they have the same land use purpose;
- (iii) The transaction of the reference is normal or will be normal after adjustments are made;
- (iv) The reference is an actual transaction conducted in recent period (within one year);
- (v) The individual factors of the reference are basically the same and comparable to the valued assets.

2. *Adjustment for Transaction Date and Time*

The transaction date and time of the reference is different from that of the valued property. Therefore, the transaction prices are different. Accordingly, the influences arising from the differences in transaction date and time on the price shall be taken into account.

3. *Adjustment for Market Context*

Certain transaction factors of the transaction price of the reference shall be eliminated, for example the association between the parties, urgent needs for disposal or acquisition and individual preferences of the parties etc.

4. *Adjustment for Regional Factors*

The regions where the reference and the valued property are located are different in terms of prosperity, transportation accessibility and environmental quality. The transaction price of the reference shall be adjusted based on the regional factors of the valued property.

5. *Adjustment for Individual Factors*

The price of the reference shall be adjusted with reference to individual factors of the valued property, such as street frontage, architectural structure, floor plan layout, equipment and decorations, conditions of the property, property management service, facilities and utilities etc.

6. *Adjustment for the Remaining Land Use Term*

The remaining land use term is to be adjusted as follows:

$$K = \frac{1-1/(1+r)^m}{1-1/(1+r)^n}$$

where:

r — Discount rate;

n — Remaining land use term in an actual case;

m — Remaining land use term of the valued property.

Calculate the adjustment coefficient of land use term of a comparable case.

7. *Determine the Price of the Valued Property*

Adjusted Price of Comparable Case = Transaction Price of the Comparable Case  
 × (Transaction Date and Time of Valued Property / Transaction Date and Time of  
 Reference) × (Normal Transaction Conditions / Transaction Conditions of Reference)  
 × (Regional Factors of Valued Property / Regional Factors of Reference) × (Individual  
 Factors of Valued Property / Individual Factors of Reference) × Adjusted Coefficient of  
 Land Use Term

Calculate the average of the adjusted prices of the comparable cases for the appraised  
 value of the valued property.

(c) **The Use of Present Earning Value Method**

The land use purposes of MCC Tower involve business, commerce, and underground car parking spaces. The building is used as offices, commercial property and underground car parking spaces. As there are similar property lease cases in the vicinity, the tower is very likely to bring economic benefits. According to the highest and best use principle, the present earning value method was used in the valuation of MCC Tower.

The present earning value method is to calculate the present value of future profits (as the appraised value) of the MCC Tower, including office, commerce and underground car parking spaces which are regarded as a single entity, based on its estimated rental profits in the future with an applicable discount rate.

Of which: The profit is net cash flow, i.e., the total amount of real estate rental income - total expenses; the discount rate is the estimated assets profitability.

The formula of the appraisal using present earning value method is:

Appraised Value = The sum of present values of profits during each of the profitability periods, i.e.:

The profits are divided into two stages; the expected profits of the first stage (five years) are estimated, assuming that from the last year of the first stage the profits of the following years are the same. Finally, the value of the valued property is calculated by converting the expected future profits into present values with an appropriate discount rate. The calculation formula is:

$$P_1 = \sum_{i=1}^5 R_i \times (1+r)^{-i} + R_5 \times \left( 1 - \frac{1}{(1+r)^{n-5}} \right)$$

where: P — Appraised value of property

$R_i$  — Expected profits of year i in the future

r — Discount rate

i — Year for profits calculation

n — Expected profitable years

*Note:* The calculation of the profitable period is based on the assumption that the land use term expires on the date stated on the land use right certificate. The valuation results do not take into account the final value of the property upon the expiry of the profitable period.



Profits estimation is the basis of the appraisal method above. As all estimations are based on certain assumptions, the estimation of future profits of the valued asset is based on the following:

1. The social and economic environment of the country has no material changes. The existing laws, regulations and systems of the state that are applicable and the current social politics and economic policies have no major changes. The estimation of profits is based only on the potential objective profits of the property. The calculations of incomes, costs and charges have been adjusted in an objective and reasonable manner according to the actual occurrences of the valued asset with reference to the actual profits of similar properties in the area and the average amount in the industry;
2. The designated purposes of the valued asset remains;
3. The direct costs, taxation criteria and taxation rates have no major changes;
4. No other factors of force majeure or unforeseeable factors that may give rise to material adverse impact on the valued property.

According to the requirement of the assets appraisal, the valuers consider that these assumptions are justified on the valuation base date. The valuers assume no responsibility for any different appraisal results arising from the changes in assumptions as and when there are material changes in the assumptions above.

## VIII. PROCESS AND CONDITIONS OF THE APPRAISAL

After being engaged as the appraiser of the asset appraisal, we designated valuers to be members of an assets appraisal team which commenced work commencing from 9 December 2009. The whole appraisal process includes the engagement acceptance, assets inspection, appraisal and estimation and submission of reports. Particulars of the stages are stated as follows:

### (a) Preparation for Appraisal

1. Understood the profile of the valued entity and the valued target, analyzed appraisal risks and signed the assets appraisal engagement agreement;
2. Defined the appraisal purpose, valued target and scope;

3. Determined the base day, the focus of the appraisal and developed appraisal programs and basic idea of the appraisal;
4. Gave guidance to the valued entity in terms of the collection and preparation of relevant appraisal data;

**(b) On Site Appraisal**

Inspection of the valued asset and verification of its title were made according to relevant principles and regulations concerning state-owned assets appraisal. The specific procedures are as follows:

1. Listened to the introduction relating to the circumstances of the enterprise, the history and current status of the valued asset by related personnel;
2. Conducted on-site visit to verify the actual condition, examined and recorded the status of the asset;
3. Developed specific appraisal methods according to the actual situation and characteristics of the valued asset;

**(c) Appraisal and Estimation**

Analyzed, adjusted, modified and improved the initial appraisal results.

**(d) Submission of Report**

1. Compiled the assets appraisal report and compiled and organized drafts of the assets appraisal;
2. Cross checked and verified the appraisal results by the appraiser;
3. Submitted the assets appraisal report and other relevant materials according to regulations.

**IX. APPRAISAL ASSUMPTIONS****(a) Special assumptions**

Assume that the valued asset will continue to be in use with reference to the current functions, methods, scale, frequency and environment.

**(b) General assumptions**

1. Regarding the legal description or legal issues (whether their limitation of rights or liabilities) of the valued asset in this appraisal report, we conduct normal inspection on the valued asset. Apart from those disclosed in the report, the ownership of the valued asset is assumed to be in good condition, tradable in the market, not subject to lien and easements, unviolated and has no other encumbrances;
2. The conclusion on the appraisal of all or part of the values herein is based on materials provided by the valued entity and other parties, and we consider those materials reliable and appropriate upon prudent analysis;
3. Upon examination of all certificates, licenses, consents or other legal or administrative authorization documents issued by regions, government institutions and organizations required for the valued asset to be used in a specific manner (which forms the basis of value estimation in this appraisal report) are valid as at the valuation base date, and assume that these certificates could be updated or renewed if they expire;
4. Except as disclosed in this report, the enterprise is assumed to have complied with all relevant laws and regulations stipulated by the country and region where the enterprise operates;
5. Assume that all improvements made by the enterprise to the valued asset are made in compliance with relevant laws and other legal, planning and construction requirements promulgated by the authority;
6. Assume that the enterprise has responsibly fulfilled all duties as the owner of the asset and conduct effective administration of the asset.

7. The value estimation is based on the purchasing power of the local currency as at 9 December 2009;
8. The estimation of this appraisal report is based on the assumption that all significant or potential factors which may affect the value analysis have been disclosed to us by the consigners and the valued entity;
9. No significant changes in the prevailing exchange rates, interest rates and tax policies of the state recently;
10. No significant changes in the prevailing laws, regulations and policies of the state. There is no deterioration of the macro-economy of the country;
11. No significant changes in the political, economic and social environment in the regions where the parties of this transaction are located;
12. There is no significant adverse impact arising from other unexpected factors or force majeure events;
13. No consideration of inflation;
14. We take no responsibility to changes in market, and have no duty to amend the appraisal report caused by events after the base day;
15. Analysis on the valued asset set out above herein is only applicable to the prescribed use as stated in this appraisal report. The value of any components of the asset is not applicable for any other purpose and cannot be used in other appraisal reports;
16. The appraisal report is only available for the use by the user specified in the engagement agreement, and could not be used or relied by any third parties. We will not be responsible for any liabilities arising from any inappropriate use due to violation of this term by any persons or entities;
17. This report is issued for the defined purpose and could not be used for any other purpose. All or any part of the report could not be transferred to any third party without our written consent.

**X. APPRAISAL CONCLUSION**

After implementing the assets appraisal procedures and approaches indicated above, the market value of MCC Tower on the valuation base date is arrived at RMB2,367,393,986.00 by market approach, or RMB2,324,544,029.00 by the present earning value method. The weighted average is adopted as the valuation of the assets for market approach can better reflect the market value as at the valuation base date than the present earning value method. Details are set out in the following table:

Property Name	Market Approach		Present Earning Value Method		Conclusion
	Valuation	Weight	Valuation	Weight	
MCC Tower	2,367,393,986.00	0.6	2,324,544,029.00	0.4	2,350,250,000.00

In summing up the calculation and analysis above, the market value of the assets, under the appraisal purpose stated in the appraisal report, is RMB2,350.25 million as at the valuation base date of 9 December 2009. This value combines the value of land and building, including the value of land use right.

**XI. SPECIAL EXPLANATIONS**

1. The appraisal institute and valuers disclaim any responsibility for those defects that may affect the valuation of the assets but are not explained specifically in engagement, and are unknown to the valuers after implementing appraisal procedures.
2. This appraisal is made on independent, fair, objective, and scientific basis. We and all the valuers hold no existing interests in the assets, or personal relationship of interests with or bias towards the principal and relevant stakeholders. The valuers has observed occupational ethics and codes during the appraisal process and made full efforts. The appraisal conclusion is prepared by Beijing Zhongzi Real Estate Appraisal Co., Ltd., which is subject to the professional level and ability of the valuers involved in this appraisal project.

3. This report is compiled based on the economic activity documents, business licences, property right certificates, accounting vouches, asset ledger and other relevant data concerning this appraisal and supplied by the principal, the valued entity and other relevant stakeholders. The principal, property right owner and relevant stakeholders are responsible for the authenticity, validity and integrity of the original data supplied in relation to the abovementioned appraisal.
4. The appraisal conclusion reflects the existing market price of the assets according to the principle of open market under this appraisal purpose, without considering any potential mortgage and guarantee in the future, the influence of the additional price a special buyer may pay upon the valuation, the taxes payable by the assets, or the charges and taxes payable on the assets when being sold, which may affect the valuation. We made no adjustment to taxation provided for the increased value of the assets. Meanwhile no impact from the changes of the state's macroeconomic policies and the Nature or other force majeure upon the property price is considered for this report.
5. The adjustment and appraisal for the assets as set out in this report are to reflect the value of the assets in an objective way. We do not intend to request the asset owner to make account treatment according to the results and presentation in this report. It is the superior financial and tax authorities of the asset owner that decide whether to and how to make relevant account treatment in compliance with the national accounting rules.
6. The certified real estate valuers paid necessary attention to the legal title of the assets and disclosed the verified results, but made no guarantee in any form to the legal title thereof, and assumed no responsibility to verify the authenticity, validity, and integrity of the data concerning the legal title thereof.
7. After the valuation base date and within the period of validity for using the report, the principal, if experienced, may make appropriate adjustment to the valuation based on the actual assets quantity and price difference, in case of evident changes in quantity and rates of the assets.
8. For the works concealed in the building and equipment under appraisal, the valuers have no means for verification in a devastating way; but can only make verification based on information including budget, project settlement, design and construction drawings, repair and maintenance records, etc.

9. On 28 March 2007, the assets under appraisal were mortgaged to Beijing Branch of the Bank of Communications Co., Ltd. at an amount of RMB500 million, for a period from 2 April 2007 to 31 December 2009. On 25 September 2009, the assets were mortgaged to Beijing Tiantan Sub-branch of the Bank of Communications Co., Ltd., Beijing Wanda Plaza Sub-branch of China Merchants Bank Co., Ltd., and Beijing Jianguomen Sub-branch of Shenzhen Development Bank Co., Ltd. at an amount of RMB700 million for a period from 27 September 2009 to 30 September 2017. No impact of the other rights as mortgage etc. upon the appraisal conclusion is considered in this appraisal.
10. In field survey the valuers found that the address used by MCC Tower was No.28 Shuguang Xili. But the title certificate provided by the principal showed that the address was No.1 Shuguang Xili. As the principal provided no address alteration document issued by relevant authority, the address stated in the title certificate is adopted in this appraisal report.

The report user shall note the influence of the matters indicated above on economic activities.

## **XII. EXPLANATION TO THE CONSTRAINTS ON THE USE OF APPRAISAL REPORT**

1. This appraisal report can only be used for the appraisal purpose and usage stated herein;
2. This appraisal report can only used by the users specified herein;
3. All or any part of contents of this appraisal report to be extracted, cited, or disclosed at open media are subject to consent of the appraisal institute after reviewing relevant contents, except for those specified otherwise by laws, regulations, and the involved parties;
4. This appraisal report comes into effective after being signed and stamped by the appraisal institute;
5. This appraisal report shall be filed with the State-owned assets administration authorities. It can only be officially used after getting through the registration;
6. The certified real estate valuers are responsible for estimating the value of the assets and giving professional opinion, and take no responsibility for the decisions made by relevant stakeholders. The appraisal conclusion shall not be held as a guarantee for the realizable price of the assets;

7. The appendixes attached to this appraisal report are integral parts to this appraisal report;
8. This appraisal report remains effective for one year from the valuation base date. Appraisal agency shall be engaged for the re-appraisal of the assets when one year expires.

### XIII. APPRAISAL REPORT DATE

The appraisal report date is the date on which the certified real estate valuers forms their final professional opinion. The report date of this appraisal is 29 January 2010.

### XIV. PROFESSIONAL QUALIFICATION OF BEIJING ZHONGZI REAL ESTATE APPRAISAL CO., LTD.

Beijing Zhongzi Real Estate Appraisal Co., Ltd. was established on 13 April 2001 (Business License No. 110000002632777). Beijing Zhongzi Real Estate Appraisal Co., Ltd. has obtained the Qualification Certificate of Real Estate Price Appraisal Institution (First Grade) (Certificate No.: Jian Fang Gu Zheng Zi [2009] No. 034) issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China (中華人民共和國住房和城鄉建設部). Beijing Zhongzi Real Estate Appraisal Co., Ltd. is the standing committee member of Beijing Real Estate Valuer and Land Valuer Association (北京房地產估價師和土地估價師協會) (Certificate No.: No. 029) as well as the standing committee member of China Institute of Real Estate Appraisers and Agents (中國房地產估價師與房地產經紀人學會) (Membership No.: 20090126).

The valuers participating in the appraisal of this project are certified real estate valuers approved by and registered with the Ministry of Housing and Urban-Rural Development of the People's Republic of China and are set out as follows:

Name	Company	Certificate/ Registration No.	Effective Until
Mr. Feng Chun Lei (馮春雷先生)	Beijing Zhongzi Real Estate Appraisal Co., Ltd.	1119960026	27 February 2011
Ms. Li Xiao Hong (李曉紅女士)	Beijing Zhongzi Real Estate Appraisal Co., Ltd.	1120020058	8 February 2012



**XV. THE MAJOR APPRAISALS UNDERTAKEN BY THE CERTIFIED REAL ESTATE APPRAISERS WHO SIGN THIS APPRAISAL REPORT**

Name	Project Name	Report No.
Feng Chun Lei	Valuation for Property Mortgage in Relation to China International Science & Technology Convention Center (中國國際科技會展中心)	Zhongzi Fang Ping Bao Zi (2005) No. 080
	Valuation for Property Transfer in Relation to Shenyang Brilliance JinBei Automobile Co., Ltd. (瀋陽華晨金杯汽車有限公司)	Zhongzi Fang Ping Bao Zi (2005) No. 088
	Valuation for Lease of Land-use Rights of Guangzhou Toyota's Land Located at Xin Qiao Tou Mountain, Xiaqiao Village, Dongcheng District, Dongguan (東莞市東城區下橋村新橋頭嶺)	Zhongzi Fang Ping Bao Zi (2006) No. 036
	Valuation for Mortgage Loans in Respect of Real Estate Property at No. 110, Xizhimenwai Avenue, Xicheng District, Beijing (北京市西城區西直門外大街110號) (Zhong Tang Building (中糖大廈))	Zhongzi Fang Ping Bao Zi (2007) No. 207
	Valuation for Mortgage Loans in Respect of Certain Properties in Zhongguancun Ke Mao Building (中關村科貿大廈) at No. 18 Zhongguancun Road, Haidian District, Beijing (北京市海澱區中關村大街18號)	Zhongzi Fang Ping Bao Zi (2009) No. 171

Name	Project Name	Report No.
Li Xiao Hong	Valuation for Property Mortgage Loans of Yuyang Hotel Company Limited (漁陽飯店有限公司) Located at No. 18 Xinyuan Xili Zhongjie, Chaoyang District (朝陽區新源西里中街18號)	Zhongzi Fang Ping Bao Zi (2006) No. 345
	Valuation for Mortgage of 27 Pieces of Land of Beijing Hongkunweiye Real Estate Development Co., Ltd (北京鴻坤偉業房地產開發有限公司) Located at Central Planning Zone, Xi Hongmen Town, Daxing District (大興區西紅門鎮中心規劃區)	Zhongzi Fang Ping Bao Zi (2008) No. 128
	Valuation for Property Mortgage Loans in Relation to Sanya Aegean Conifer Hotel (三亞愛琴海岸酒店) Located at Yalong Bay Development Zone, Tiandu Town, Sanya (三亞市田獨鎮亞龍灣開發區)	Zhongzi Fang Ping Bao Zi (2008) No. 198
	Valuation of Properties Located at No. 46 Dongzhimenwai Avenue, Dongcheng District, Beijing (Tianheng Mansion) (北京東城區東直門外大街46號(天恒大廈))	Zhongzi Fang Zi Bao Zi (2007) No. 032
	Valuation for Property Mortgage in Relation to Beijing Meidan Food Company Ltd (北京市美丹食品有限公司)	Zhongzi Fang Ping Bao Zi (2009) No. 167

Beijing Zhongzi Real Estate Appraisal Co., Ltd.

29 January 2010

Room 17A, Guoxing Building, No. 22 Shouti Nan Road, Haidian District, Beijing, the PRC.

**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts not contained herein the omission of which would make any statement contained in this circular misleading.

**2. DISCLOSURE OF INTERESTS****Interests of Directors, Supervisors and chief executive of the Company**

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO); (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange.

**3. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

**4. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors has entered into or proposes to enter into a service contract with the Company other than a service contract expiring or terminable by the Company within one year without payment of compensation (other than statutory compensation).

**5. DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, save as disclosed below, none of the Directors, Supervisors or their respective associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Company, or may have any other conflicts of interests with the Company:

<b>Name of Director/Supervisor</b>	<b>Position with the Company</b>	<b>Other Interests</b>
Mr. Wang Weimin	Executive Director	Vice Chairman of the Parent
Mr. Shen Heting	Executive Director	Vice Chairman of the Parent
Mr. Liu Benren	Non-executive Director	Chairman of the Parent
Mr. Guo Wenqing	Non-executive Director	Director of the Parent
Mr. Han Changlin	Chairman of the Supervisor Committee	Director of the Parent

**6. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS**

None of the Directors or Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Company or proposed to be so acquired, disposed of or leased since 30 June 2009, being the date to which the latest published audited consolidated accounts of the Company were made up, and up to the Latest Practicable Date.

**7. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS**

Save as disclosed in this circular, there was no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors or Supervisors was materially interested and which was significant in relation to the business of the Company.

**8. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm that there was no material adverse changes in the financial or trading position of the Company since 30 June 2009, the date to which the latest published audited consolidated accounts of the Company were made up.

**9. QUALIFICATIONS AND CONSENTS OF EXPERTS**

The following are the qualifications of the experts who have given opinion or advice, which are contained or referred to in this circular:

<b>Name</b>	<b>Qualifications</b>
CIMB Securities (HK) Limited	A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Beijing Zhongzi Real Estate Appraisal Co., Ltd.	PRC qualified property valuer

Each of CIMB and Beijing Zhongzi has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date,

- (a) each of CIMB and Beijing Zhongzi did not have any beneficial shareholding in any member of the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company; and
- (b) each of CIMB and Beijing Zhongzi did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Company or proposed to be so acquired, disposed of or leased since 30 June 2009, being the date to which the latest published audited consolidated accounts of the Company were made up, and up to the Latest Practicable Date.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday, excluding public holidays, at KCS Hong Kong Limited, 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong from the date of this circular up to and including Thursday, 11 February 2010 (both days inclusive):

- (a) the Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in Appendix I to this circular;
- (c) the letter of advice from CIMB to the Independent Board Committee and the Independent Shareholders, the text of which is set out in Appendix II to this circular;
- (d) the full valuation report from Beijing Zhongzi, the body of which is set out in Appendix III to this circular;
- (e) the written consents of CIMB and Beijing Zhongzi referred to in the section headed "Qualifications and consents of experts" in this Appendix IV; and
- (f) this circular.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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# METALLURGICAL CORPORATION OF CHINA LTD. \*

## 中國冶金科工股份有限公司

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

(Stock Code: 1618)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Metallurgical Corporation of China Ltd. (the “Company”) will be held at Beijing Yuanwanglou Hotel, No.57 North 3rd Ring Road Central, Beijing, 100088, the People's Republic of China (the “PRC”), on Tuesday, 16 March 2010, at 9:00 a.m. to consider and, if thought fit, pass (with or without amendments) the following resolutions:

### ORDINARY RESOLUTIONS

1. “**THAT** the entering into of the sale and purchase of commercial property agreement between Beijing Guangyuanli Properties Development Co., Ltd. (“Guangyuanli”) and China Metallurgical Group Corporation (“Parent”) dated 30 December 2009 relating to the disposal of the MCC Tower by Guangyuanli to Parent, a copy of which has been produced at the EGM marked “A” and signed by the chairman of the EGM for identification purpose, and the terms thereof, be and are hereby approved, confirmed and ratified.”
2. “**THAT** the relevant adjustments to the specific breakdown of categories of equipment purchase for engineering and construction business and research & development, the investment projects as financed by the proceeds from the A share offering of the Company, be and are hereby approved.”

By order of the Board of Directors  
**Metallurgical Corporation of China Ltd.\***  
**Liu Benren**  
*Chairman*

Beijing, the PRC  
29 January 2010

\* *For identification purpose only*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*As at the date of this notice, Mr. Wang Weimin and Mr. Shen Heting are the executive directors of the Company, Mr. Liu Benren and Mr. Guo Wenqing are the non-executive directors of the Company and Mr. Jiang Longsheng, Mr. Wen Keqin, Mr. Liu Li, Mr. Chen Yongkuan and Mr. Cheung Yukming are the independent non-executive directors of the Company.*

*Notes:*

- (1) In order to determine the list of shareholders who are entitled to attend the EGM, the register of members of the Company will be closed from **Sunday, 14 February 2010 to Tuesday, 16 March 2010, both days inclusive**, during which period no transfer of shares will be effected. In order to attend and vote at the EGM, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on 12 February 2010.
- (2) A shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. Where a shareholder appoints more than one proxy, his proxies may only vote in a poll.
- (3) The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.
- (4) In order to be valid, the form of proxy together with the power of attorney or other authorisation document (if any) must be deposited at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for the holders of the H shares and to the Company's office of the board of directors (the "Board") at MCC Tower, No. 28, Shuguang Xili, Chaoyang District, Beijing, 100028, the PRC, for the holders of the A shares, not less than 24 hours before the EGM.
- (5) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the EGM.
- (6) For information purpose only, shareholders who intend to attend the EGM in person or by proxy shall return the reply slip to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for the holders of the H shares and to the office of the Board of the Company at MCC Tower, No. 28, Shuguang Xili, Chaoyang District, Beijing, 100028, the PRC, for the holders of the A shares of the Company, on or before 24 February 2010 by hand, by post or by fax.
- (7) The address and contact details of the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, are as follows:

17M Floor  
Hopewell Centre  
183 Queen's Road East, Wanchai, Hong Kong  
Tel: (852) 2862 8555  
Fax: (852) 2865 0990



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (8) The address and contact details of the office of the Board of the Company are as follows:

MCC Tower  
No.28 Shuguang Xili  
Chaoyang District  
Beijing, 100028  
PRC  
Tel: (8610) 5986 8666  
Fax: (8610) 5986 8999

- (9) In accordance with the Company's articles of association, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting rights attached to such share at the EGM, and this notice shall be deemed to be given to all joint holders of such share.
- (10) The EGM is expected to be concluded within half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the EGM shall produce their identity documents.