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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)

2011 INTERIM RESULTS ANNOUNCEMENT

The Board of Metallurgical Corporation of China Ltd.* (the “**Company**”) is pleased to announce the results (unaudited) of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2011, which are mainly set out as follows:

I. CORPORATE INFORMATION

Registered company name (in Chinese)	中國冶金科工股份有限公司
Company name (in English)	Metallurgical Corporation of China Ltd.*
Legal representative of the Company	Shen Heting
Registered address	28 Shuguang Xili, Chaoyang District Beijing
First registration date of the Company	1 December 2008
Principal place of business in Hong Kong	Room 3205, 32/F, Office Tower Convention Plaza, 1 Harbour Road Wanchai, Hong Kong

Website address of the Company	http://www.mccchina.com
Joint company secretaries	Kang Chengye Ma Sau Kuen Gloria
Information and enquiry	Secretariat of the Board
Tel	86-10-59868666
Places of listing	The Stock Exchange of Hong Kong Limited Shanghai Stock Exchange
Abbreviation of stock name	MCC
Stock codes	1618 (Hong Kong) 601618 (Shanghai)

II. REVIEW

1. Overview

The Group's financial position as at 30 June 2011 and the operating results for the six months ended 30 June 2011 are highlighted as follows:

- Revenue amounted to RMB105,838 million, representing a year-on-year increase of RMB16,988 million or 19.12% from RMB88,850 million for the same period of 2010.
- Profit amounted to RMB2,285 million, representing a year-on-year decrease of RMB238 million or 9.43% from RMB2,523 million for the same period of 2010.

- Profit attributable to equity holders of the Company amounted to RMB1,969 million, representing a year-on-year decrease of RMB255 million or 11.47% from RMB2,224 million for the same period of 2010.
- Basic earnings per share amounted to RMB0.10, representing a decrease of RMB0.02 or 16.67% from RMB0.12 for the same period of 2010.
- As at 30 June 2011, the total assets amounted to RMB319,206 million, representing an increase of RMB30,985 million or 10.75% from RMB288,221 million as at 31 December 2010.
- As at 30 June 2011, the total equity amounted to RMB55,495 million, representing an increase of RMB1,983 million or 3.71% from RMB53,512 million as at 31 December 2010.
- Newly-signed contract value amounted to RMB165,713 million, representing an increase of 6.2% over the same period of 2010, including USD1,389 million of newly-signed overseas contracts.

2. Revenue From Principal Business Segments

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

- **Engineering and construction business**

Segment revenue amounted to RMB82,458 million, representing an increase of RMB11,599 million or 16.37% from RMB70,859 million for the six months ended 30 June 2010.

- **Equipment manufacturing business**

Segment revenue amounted to RMB6,783 million, representing an increase of RMB2,165 million or 46.88% from RMB4,618 million for the six months ended 30 June 2010.

- **Resources development business**

Segment revenue amounted to RMB6,616 million, representing an increase of RMB2,289 million or 52.90% from RMB4,327 million for the six months ended 30 June 2010.

- **Property development business**

Segment revenue amounted to RMB8,642 million, representing an increase of RMB917 million or 11.87% from RMB7,725 million for the six months ended 30 June 2010.

- **Other businesses**

Segment revenue amounted to RMB3,130 million, representing a decrease of RMB106 million or 3.28% from RMB3,236 million for the six months ended 30 June 2010.

Note: All of the above revenues represent the data before elimination of inter-segment transaction.

III. MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview

For the six months ended 30 June 2011, the Group's revenue amounted to RMB105,838 million, representing an increase of 19.12% from the same period last year. Profit attributable to equity holders of the Company amounted to RMB1,969 million, representing a decrease of 11.47% as compared with the same period last year. Basic earnings per share for the six months ended 30 June 2011 was RMB0.10.

The following are the financial results of the Group for the six months ended 30 June 2011 compared to the same period of 2010.

2. Condensed Consolidated Operating Results

(1) Revenue

The Group is mainly engaged in engineering and construction, equipment manufacturing, resources development, property development and other businesses. For the six months ended 30 June 2011, the revenue of the Group amounted to RMB105,838 million, representing an increase of RMB16,988 million or 19.12% as compared with RMB88,850 million for the six months ended 30 June 2010. The increase was mainly attributable to the increase in segment revenue of all business segments of the Group, except for other business segment, as compared with the six months ended 30 June 2010. Segment revenues of engineering and construction, equipment manufacturing, resources development and property development increased by RMB11,599 million or 16.37%, RMB2,165 million or 46.88%, RMB2,289 million or 52.90% and RMB917 million or 11.87%, respectively (all before elimination of inter-segment transaction). Segment revenue of other business segment decreased by RMB106 million or 3.28% (all before elimination of inter-segment transaction).

(2) Cost of sales and gross profit

The Group's cost of sales primarily includes material cost (raw materials, products and work-in-progress consumed, equipment purchased and consumables used), subcontracting charges, employee benefits and other costs. For the six months ended 30 June 2011, cost of sales of the Group amounted to RMB95,960 million, representing an increase of RMB15,950 million or 19.94% as compared with RMB80,010 million for the six months ended 30 June 2010. The increase was mainly attributable to the growth of the Group's business volume.

For the six months ended 30 June 2011, the gross profit of the Group amounted to RMB9,878 million, representing an increase of RMB1,038 million or 11.74% as compared with RMB8,840 million for the six months ended 30 June 2010. Gross profit margin of the Group was 9.33% for the six months ended 30 June 2011, representing a decrease of 0.62% as compared with 9.95% for the six months ended 30 June 2010.

For the six months ended 30 June 2011, all business segments of the Group, namely engineering and construction, equipment manufacturing, resources development, property development and other businesses, recorded a gross profit of RMB6,883 million, RMB500 million, RMB1,400 million, RMB982 million and RMB122 million, respectively, and the gross profit margins were 8.35%, 7.37%, 21.16%, 11.36% and 3.90% respectively (all before elimination of inter-segment transaction).

(3) *Operating profit*

For the six months ended 30 June 2011, the operating profit of the Group amounted to RMB4,738 million, representing an increase of RMB100 million or 2.16% as compared with RMB4,638 million for the six months ended 30 June 2010. The increase was mainly attributable to the growth of RMB673 million in the segment results of the resource development segment of the Group for the six months ended 30 June 2011 as compared with the six months ended 30 June 2010 (all before elimination of inter-segment transaction). The loss in segment results of the equipment manufacturing segment decreased by RMB40 million as compared with the six months ended 30 June 2010 (all before elimination of inter-segment transaction). Segment results of engineering and construction, property development and other business segments decreased by RMB92 million, RMB492 million and RMB137 million (all before elimination of inter-segment transaction), 2.72%, 44.69% and 62.27%, respectively as compared with the six months ended 30 June 2010.

(4) *Finance income*

The Group's finance income mainly consisted of interest income on bank deposits, interest income on held-to-maturity financial assets, interest income on loans to related parties, income on advances for third parties and gain on debt restructuring. Finance income of the Group for the six months ended 30 June 2011 amounted to RMB585 million, representing an increase of RMB303 million or 107.45% as compared with RMB282 million for the six months ended 30 June 2010, mainly attributable to the increase in interest income from disbursed capital for large BT projects newly undertaken by the Group.

(5) *Finance costs*

The Group's finance costs mainly consisted of interest expenses on bank borrowings and borrowings from other financial institutions, net foreign exchange gains on borrowings, and discount charges on bank acceptance notes, less amounts capitalized in construction in progress and amounts capitalized in properties under development. Finance costs of the Group increased by RMB357 million or 25.12% from RMB1,421 million for the six months ended 30 June 2010 to RMB1,778 million for the six months ended 30 June 2011, mainly attributable to the increase in interest expense on borrowings.

(6) *Share of profits of associates*

The Group's share of profits of associates is the profits attributable to the Group from its associates, net of the losses attributable to the Group from its associates, pursuant to its equity interests in such associates. For the six months ended 30 June 2011, the Group's share of profits of associates was RMB22 million, representing a decrease of RMB17 million or 43.59% as compared with RMB39 million for the six months ended 30 June 2010.

(7) *Profit before income tax*

As a result of the foregoing, the Group's profit before income tax increased by RMB29 million or 0.82% from RMB3,538 million for the six months ended 30 June 2010 to RMB3,567 million for the six months ended 30 June 2011.

(8) *Income tax expense*

For the six months ended 30 June 2011, the Group's income tax expense increased by RMB267 million or 26.31% from RMB1,015 million for the six months ended 30 June 2010 to RMB1,282 million. For the six months ended 30 June 2011, the Group's effective tax rate was 35.94%, a significant fluctuation as compared with 28.69% for the six months ended 30 June 2010. The main reason for such change was mainly attributable to the increase of the loss, which had not been recognised as deferred tax assets due to estimated loss, from the Company's subsidiaries for the six months ended 30 June 2011.

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

Profit/(loss) attributable to non-controlling interests represent the interests of outside shareholders in the results of operations of non-wholly owned subsidiaries of the Company. The profit attributable to non-controlling interests for the six months ended 30 June 2011 amounted to RMB316 million, while the profit attributable to non-controlling interest for the six months ended 30 June 2010 amounted to RMB299 million.

(10) Profit attributable to equity holders of the Company

Based on the above, the profit attributable to equity holders of the Company decreased by RMB255 million or 11.47% from RMB2,224 million for the six months ended 30 June 2010 to RMB1,969 million for the six months ended 30 June 2011.

Margin of profit attributable to equity holders of the Company decreased from 2.50% for the six months ended 30 June 2010 to 1.86% for the six months ended 30 June 2011.

3. Discussion of Results by Segment

The following table sets forth the Group's segment revenue, gross profit and segment results for the six months ended 30 June 2011 and the six months ended 30 June 2010.

	Segment revenue		Gross profit		Gross profit margin		Segment result		Segment result margin ^(Note 1)	
	For the six months ended		For the six months ended		For the six months ended		For the six months ended		For the six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(As restated, see note 2(b))		(As restated, see note 2(b))		(As restated, see note 2(b))		(As restated, see note 2(b))		(As restated, see note 2(b))	
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>%</i>	<i>%</i>	<i>RMB million</i>	<i>RMB million</i>	<i>%</i>	<i>%</i>
Engineering and construction	82,458	70,859	6,883	6,367	8.35%	8.99%	3,287	3,379	3.99%	4.77%
% of the total	76.61%	78.06%	69.62%	70.90%			68.11%	69.90%		
Equipment manufacturing	6,783	4,618	500	316	7.37%	6.84%	(7)	(47)	-0.10%	-1.02%
% of the total	6.30%	5.09%	5.06%	3.52%			-0.15%	-0.97%		
Resources development	6,616	4,327	1,400	559	21.16%	12.92%	854	181	12.91%	4.18%
% of the total	6.15%	4.77%	14.16%	6.23%			17.70%	3.74%		
Property development	8,642	7,725	982	1,442	11.36%	18.67%	609	1,101	7.05%	14.25%
% of the total	8.03%	8.51%	9.93%	16.06%			12.62%	22.78%		
Other business	3,130	3,236	122	295	3.90%	9.12%	83	220	2.65%	6.80%
% of the total	2.91%	3.57%	1.23%	3.29%			1.72%	4.55%		
Subtotal	107,629	90,765	9,887	8,979	9.19%	9.89%	4,826	4,834	4.48%	5.33%
Inter-segment elimination	(1,791)	(1,915)	(9)	(139)			(9)	(139)		
Total	105,838	88,850	9,878	8,840	9.33%	9.95%	4,817	4,695	4.55%	5.28%
Unallocated administrative expenses							(79)	(57)		
Total operating profit							4,738	4,638		

Note 1: Segment result margin represents segment result as a percentage of segment revenue.

(1) Engineering and construction

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

The following table sets forth the principal result information for engineering and construction business for the six months ended 30 June 2011 and the six months ended 30 June 2010.

	For the six months ended 30 June	
	2011	2010
		(As restated, see note 2(b))
	(RMB million)	(RMB million)
Segment revenue	82,458	70,859
Cost of sales	(75,575)	(64,492)
Gross profit	6,883	6,367
Selling and marketing expenses	(356)	(323)
Administrative expenses	(3,616)	(2,725)
Other income and gains/(expenses)	376	60
Segment result	3,287	3,379
Depreciation and amortisation	593	554

Segment revenue. Segment revenue from engineering and construction business increased by RMB11,599 million or 16.37% from RMB70,859 million for the six months ended 30 June 2010 to RMB82,458 million for the six months ended 30 June 2011. The increase was mainly attributable to the implementation of unfinished projects of the previous period and acceptances and implementation of newly signed projects for the period.

Cost of sales and gross profit. Cost of sales incurred from engineering and construction business increased by RMB11,083 million or 17.19% from RMB64,492 million for the six months ended 30 June 2010 to RMB75,575 million for the six months ended 30 June 2011. Percentage of cost of sales against segment revenue increased to 91.65% for the six months ended 30 June 2011 from 91.01% for the six months ended 30 June 2010. The increase was mainly attributable to the rise in labour cost, procurement cost and subcontracting charges.

Gross profit of the engineering and construction business increased by RMB516 million or 8.10% from RMB6,367 million for the six months ended 30 June 2010 to RMB6,883 million for the six months ended 30 June 2011. Gross profit margin of engineering and construction business decreased from 8.99% for the six months ended 30 June 2010 to 8.35% for the six months ended 30 June 2011. The decrease was mainly attributable to the fiercer competition in industries such as property construction, municipal construction and urban infrastructure, the gross profit margin of non-metallurgical engineering was generally lower than that of traditional metallurgical engineering. Metallurgical engineering and construction, which had a relatively higher gross profit margin, however, saw a decrease in the proportion of income while municipal construction, which had a relatively lower gross profit margin, witnessed an increase in the proportion of income, leading to a decline in the overall gross profit margin of the engineering and construction business. Meanwhile, the increase in labour cost, subcontracting charges and procurement cost of raw materials also contributed to the fall of the gross profit margin.

Selling and marketing expenses. Selling and marketing expenses incurred for the engineering and construction business increased by RMB33 million or 10.22% from RMB323 million for the six months ended 30 June 2010 to RMB356 million for the six months ended 30 June 2011. The increase in selling and marketing expenses was mainly attributable to the growth in income.

Administrative expenses. Administrative expenses incurred for the engineering and construction business increased by RMB891 million or 32.70% from RMB2,725 million for the six months ended 30 June 2010 to RMB3,616 million for the six months ended 30 June 2011. The increase in administrative expenses was mainly attributable to the rise of labour cost.

Other income and gains/(expenses). Other income and gains from the engineering and construction business increased by RMB316 million or 526.67% from RMB60 million for the six months ended 30 June 2010 to RMB376 million for the six months ended 30 June 2011. This was mainly attributable to the gain from the disposal of shares held by subsidiaries of the Company.

Segment result. Segment result of the engineering and construction business decreased by RMB92 million or 2.72% from RMB3,379 million for the six months ended 30 June 2010 to RMB3,287 million for the six months ended 30 June 2011.

(2) *Equipment manufacturing*

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

The following table sets forth the principal result information for equipment manufacturing business for the six months end 30 June 2011 and the six months ended 30 June 2010.

	For the six months ended 30 June	
	2011	2010
		(As restated, see note 2(b))
	(RMB million)	(RMB million)
Segment revenue	6,783	4,618
Cost of sale	(6,283)	(4,302)
Gross profit	500	316
Selling and marketing expenses	(128)	(86)
Administrative expenses	(444)	(341)
Other income and gains/(expenses)	65	64
Segment result	(7)	(47)
Depreciation and amortisation	256	223

Segment revenue. Segment revenue from the equipment manufacturing business increased by RMB2,165 million or 46.88% from RMB4,618 million for the six months ended 30 June 2010 to RMB6,783 million for the six months ended 30 June 2011. The increase was mainly attributable to the Group's acceptance of large steel structure projects in line with the development of the steel structure market. Meanwhile, upon commencement of production in 2010, the new production lines in CERI Yingkou Equipment Development and Manufacturing Co., Ltd. (中冶京誠(營口)裝備製造技術有限公司), a subsidiary of the Company, ramped up to full production capacities in 2011. This was another contributor to the increase in revenue.

Cost of sales and gross profit. Cost of sales incurred from the equipment manufacturing business increased by RMB1,981 million or 46.05% from RMB4,302 million for the six months ended 30 June 2010 to RMB6,283 million for the six months ended 30 June 2011. Percentage of cost of sales against segment revenue decreased from 93.16% for the six months ended 30 June 2010 to 92.63% for the six months ended 30 June 2011. The decrease was mainly attributable to the increase in gross profit margin as a result of the decrease in unit production cost of CERI Yingkou Equipment Development and Manufacturing Co., Ltd. (中冶京誠(營口)裝備製造技術有限公司) resulting from its expansion of production capacity.

Gross profit of the equipment manufacturing business increased by RMB184 million or 58.23% from RMB316 million for the six months ended 30 June 2010 to RMB500 million for the six months ended 30 June 2011. Gross profit margin of the equipment manufacturing business increased from 6.84% for the six months ended 30 June 2010 to 7.37% for the six months ended 30 June 2011. The increase was mainly attributable to the fact that as CERI Yingkou Equipment Development and Manufacturing Co., Ltd. (中冶京誠(營口)裝備製造技術有限公司) ramped up full capacities of production in 2011, which led to the decrease in unit production cost, the negative gross profit of CERI Yingkou Equipment Development and Manufacturing Co., Ltd. (中冶京誠(營口)裝備製造技術有限公司) was also driven downwards, thereby mitigating the negative impact on the overall gross profit of the equipment manufacturing business. Meanwhile, the gradual recovery of the steel product market in the first half of 2011 led to a higher gross profit margin of steel structure projects, which also contributed to the increase in gross profit margin.

Selling and marketing expenses. Selling and marketing expenses incurred for the equipment manufacturing business increased by RMB42 million or 48.84% from RMB86 million for the six months ended 30 June 2010 to RMB128 million for the six months ended 30 June 2011. The increase was mainly attributable to the increase in income.

Administrative expenses. Administrative expenses incurred for the equipment manufacturing business increased by RMB103 million or 30.21% from RMB341 million for the six months ended 30 June 2010 to RMB444 million for the six months ended 30 June 2011. The increase was mainly attributable to the increase in labour cost.

Other income and gains/(expenses). Other income and gains from the equipment manufacturing business increased by RMB1 million or 1.56% from RMB64 million for the six months ended 30 June 2010 to RMB65 million for the six months ended 30 June 2011.

Segment result. Segment result of the equipment manufacturing business recorded a loss of RMB7 million for the six months ended 30 June 2011 as compared with the loss of RMB47 million for the six months ended 30 June 2010, representing a decrease in losses of RMB40 million or 85.11%.

(3) *Resources development*

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

The following table sets forth the principal result information for resources development business for the six months ended 30 June 2011 and the six months ended 30 June 2010.

	For the six months ended 30 June	
	2011	2010
		(As restated, see note 2(b))
	(RMB million)	(RMB million)
Segment revenue	6,616	4,327
Cost of sales	(5,216)	(3,768)
Gross profit	1,400	559
Sales and marketing expenses	(123)	(61)
Administrative expenses	(449)	(313)
Other income and gains/(expenses)	26	(4)
Segment result	854	181
Depreciation and amortisation	305	282

Segment revenue. Segment revenue from resources development business increased by RMB2,289 million or 52.90% from RMB4,327 million for the six months ended 30 June 2010 to RMB6,616 million for the six months ended 30 June 2011. The increase was mainly attributable to the increase in sales volume and average sales price of polysilicon of Luoyang China Silicon Hi-tech Corporation (洛陽中硅高科技有限公司), a subsidiary of the Company. Meanwhile, there was an increase in sales volume of other products of the Group, such as hot dipped galvanized steel, zinc ingots and copper-gold, etc.

Cost of sales and gross profit. Cost of sales incurred from resources development business increased by RMB1,448 million or 38.43% from RMB3,768 million for the six months ended 30 June 2010 to RMB5,216 million for the six months ended 30 June 2011. Percentage of the cost of sales against segment revenue decreased from 87.08% for the six months ended 30 June 2010 to 78.84% for the six months ended 30 June 2011, mainly due to the decrease in unit production cost of polysilicon.

Gross profit of the resources development business increased by RMB841 million or 150.45% from RMB559 million for the six months ended 30 June 2010 to RMB1,400 million for the six months ended 30 June 2011. Gross profit margin of the resources development business increased from 12.92% for the six months ended 30 June 2010 to 21.16% for the six months ended 30 June 2011. The increase was mainly attributable to the increase in average sales prices of polysilicon and certain non-ferrous metals and the decrease in unit production cost of polysilicon.

Selling and marketing expenses. Selling and marketing expenses incurred for the resources development business increased by RMB62 million or 101.64% from RMB61 million for the six months ended 30 June 2010 to RMB123 million for the six months ended 30 June 2011. The increase was mainly attributable to the increase in income.

Administrative expenses. Administrative expenses incurred for the resources development business increased by RMB136 million or 43.45% from RMB313 million for the six months ended 30 June 2010 to RMB449 million for the six months ended 30 June 2011. The increase in administrative expenses was mainly attributable to the increase in labour costs.

Other income and gains/(expenses). Other income from the resources development business for the six months ended 30 June 2011 reached RMB26 million and other expenses for the six months ended 30 June 2011 recorded RMB4 million.

Segment result. Segment result of the resources development business increased by RMB673 million or 371.82% from RMB181 million for the six months ended 30 June 2010 to RMB854 million for the six months ended 30 June 2011.

(4) *Property development business*

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

The following table sets forth the principal result information for the property development business for the six months ended 30 June 2011 and the six months ended 30 June 2010.

	For the six months ended 30 June	
	2011	2010
		(As restated)
	<i>RMB million</i>	<i>RMB million</i>
Segment revenue	8,642	7,725
Cost of sales	(7,660)	(6,283)
Gross profit	982	1,442
Selling and marketing expenses	(204)	(89)
Administrative expenses	(240)	(294)
Other income and gains/(expenses)	71	42
Segment result	609	1,101
Depreciation and amortisation	24	16

Segment revenue. Segment revenue from the property development business increased by RMB917 million or 11.87% from RMB7,725 million for the six months ended 30 June 2010 to RMB8,642 million for the six months ended 30 June 2011. The increase was mainly attributable to recognition of revenue of various projects from property companies, which are subsidiaries of the Company.

Cost of sales and gross profit. Cost of sales incurred from the property development business increased by RMB1,377 million or 21.92% from RMB6,283 million for the six months ended 30 June 2010 to RMB7,660 million for the six months ended 30 June 2011. Percentage of the cost of sales against segment revenue increased from 81.33% for the six months ended 30 June 2010 to 88.64% for the six months ended 30 June 2011, mainly due to the increase in labour costs and subcontracting costs.

Gross profit of the property development business decreased by RMB460 million or 31.90% from RMB1,442 million for the six months ended 30 June 2010 to RMB982 million for the six months ended 30 June 2011. Gross profit margin of the property development business decreased from 18.67% for the six months ended 30 June 2010 to 11.36% for the six months ended 30 June 2011, mainly attributable to the material change in the structure of revenue from the property development segment for the period from January to June 2011 as compared with that for the period from January to June 2010, as evidenced by the decrease in the contribution to revenue from commodity properties with higher gross profit margin and the increase in the contribution to revenue from municipal projects with lower gross profit margin such as primary land development and social welfare housing.

Selling and marketing expenses. Selling and marketing expenses incurred for the property development business increased by RMB115 million or 129.21% from RMB89 million for the six months ended 30 June 2010 to RMB204 million for the six months ended 30 June 2011. The increase was mainly attributable to the increase in sales-related publication fees and accrued sales incentives in line with the sales of various property projects.

Administrative expenses. Administrative expenses incurred for the property development business decreased by RMB54 million or 18.37% from RMB294 million for the six months ended 30 June 2010 to RMB240 million for the six months ended 30 June 2011. The decrease was primarily due to the substantial decrease in provisions for impairment loss of goodwill of MCC Real Estate Group Co., Ltd., a subsidiary of the Company, for the period as compared with the same period last year.

Other income and gains/(expenses). Other income and gains from the property development business for the six months ended 30 June 2011 amounted to RMB71 million, representing an increase of RMB29 million or 69.05% from RMB42 million for the six months ended 30 June 2010.

Segment result. Segment result of property development business decreased by RMB492 million or 44.69% from RMB1,101 million for the six months ended 30 June 2010 to RMB609 million for the six months ended 30 June 2011.

(5) *Other businesses*

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

The following table sets forth the principal result information for other businesses for the six months ended 30 June 2011 and the six months ended 30 June 2010.

	For the six months ended 30 June	
	2011	2010
		(As restated, see note 2(b))
	(RMB million)	(RMB million)
Segment revenue	3,130	3,236
Cost of sales	(3,008)	(2,941)
Gross profit	122	295
Selling and marketing expenses	(33)	(35)
Administrative expenses	(27)	(60)
Other income and gains/(expenses)	21	20
Segment result	83	220
Depreciation and amortisation	22	23

Segment revenue. Segment revenue from the other businesses decreased by RMB106 million or 3.28% from RMB3,236 million for the six months ended 30 June 2010 to RMB3,130 million for the six months ended 30 June 2011. Segment revenue of the other businesses was mainly generated from the import and export and consultancy services.

Cost of sales and gross profit. Cost of sales incurred from the other businesses increased by RMB67 million or 2.28% from RMB2,941 million for the six months ended 30 June 2010 to RMB3,008 million for the six months ended 30 June 2011. Percentage of the cost of sales against segment revenue increased from 90.88% for the six months ended 30 June 2010 to 96.10% for the six months ended 30 June 2011.

Gross profit of the other businesses decreased by RMB173 million or 58.64% from RMB295 million for the six months ended 30 June 2010 to RMB122 million for the six months ended 30 June 2011. Gross profit margin of the other businesses decreased from 9.12% for the six months ended 30 June 2010 to 3.90% for the six months ended 30 June 2011, mainly attributable to the decrease in the trading prices and the increase in procurement costs.

Selling and marketing expenses. Selling and marketing expenses incurred for the other businesses decreased by RMB2 million or 5.71% from RMB35 million for the six months ended 30 June 2010 to RMB33 million for the six months ended 30 June 2011.

Administrative expenses. Administrative expenses incurred for the other businesses decreased by RMB33 million or 55.00% from RMB60 million for the six months ended 30 June 2010 to RMB27 million for the six months ended 30 June 2011.

Other income and gains/(expenses). Other income and gains of the other businesses increased by RMB1 million or 5.00% from RMB20 million for the six months ended 30 June 2010 to RMB21 million for the six months ended 30 June 2011.

Segment result. Segment result of the other businesses decreased by RMB137 million or 62.27% from RMB220 million for the six months ended 30 June 2010 to RMB83 million for the six months ended 30 June 2011.

4. Liquidity and Capital Resources

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

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

(1) Information on cash flow

The following cash flows information is extracted from the unaudited condensed consolidated cash flow statement of the Group for the six months ended 30 June 2011 and the six months ended 30 June 2010.

	For the six months ended 30 June	
	2011	2010
	(RMB million)	(RMB million)
Net cash used in operating activities	(13,500)	(10,713)
Net cash used in investing activities	(4,173)	(4,940)
Net cash generated from financing activities	15,267	17,508
Net (decrease)/increase in cash and cash equivalents	(2,406)	1,855
Cash and cash equivalents at the beginning of the period	39,302	44,740
Exchange gains/(losses) on cash and cash equivalents	8	(124)
Cash and cash equivalents at the end of the period	36,904	46,471

(2) Cash flows from operating activities

For the six months ended 30 June 2011, the Group's net cash used in operating activities amounted to RMB13,500 million as compared with net cash used in operating activities of RMB10,713 million for the six months ended 30 June 2010. The increase of RMB2,787 million in net cash used in operating activities was mainly attributable to a more frequent adoption of BT business modes for non-metallurgical engineering businesses such as urban infrastructure, social welfare housing and environment protection construction as well as an increase in the payment of performance bonds, bidding bonds, bonds for project cooperation and deposits, given the Group's attempt to expand into these businesses so as to address the downsizing of metallurgical engineering business in the iron and steel industry. At present, the Group has adopted corresponding measures to rein in new BT projects.

(3) Cash flows from investing activities

For the six months ended 30 June 2011, the Group's net cash used in investing activities amounted to RMB4,173 million as compared to RMB4,940 million for the six months ended 30 June 2010. The net cash flow used in investing activities decreased by RMB767 million, which was mainly due to the slow down in the purchase and construction of fixed assets and the purchase of intangible assets in 2011.

(4) Cash flows from financing activities

For the six months ended 30 June 2011, the Group's net cash generated from financing activities amounted to RMB15,267 million, representing a decrease of RMB2,241 million from RMB17,508 million for the six months ended 30 June 2010.

(5) Capital expenditures

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

The following table sets forth the capital expenditures of the Group by business for the six months ended 30 June 2011 and the six months ended 30 June 2010.

	For the six months ended 30 June	
	2011	2010
		(As restated, see note 2(b))
	(RMB million)	(RMB million)
Engineering and construction business	1,585	1,821
Equipment manufacturing business	1,046	713
Resources development business	1,714	2,651
Property development business	31	56
Other businesses	6	648
Total	<u>4,382</u>	<u>5,889</u>

The Group's capital expenditures for the six months ended 30 June 2011 amounted to RMB4,382 million, representing a decrease of RMB1,507 million or 25.59% from RMB5,889 million for the six months ended 30 June 2010.

In particular, the capital expenditure of the engineering and construction business and that of the resources development business for the six months ended 30 June 2011 amounted to RMB1,585 million and RMB1,714 million, representing a decrease of RMB236 million and RMB937 million as compared with the capital expenditure of the engineering and construction business and that of the resources development business for the six months ended 30 June 2010, respectively. The capital expenditure of the equipment manufacturing business for the six months ended 30 June 2011 and for the six months ended 30 June 2010 amounted to RMB1,046 million and RMB713 million, respectively, representing an increase of RMB333 million.

(6) Working capital

Trade receivables and trade payables.

The following table sets forth the turnover days of the average trade receivables and the turnover days of the average trade payables of the Group for the six months ended 30 June 2011 and for the twelve months ended 31 December 2010.

	For the six months ended 30 June 2011 days	For the twelve months ended 31 December 2010 days
The turnover days of the average trade receivables <i>(Note 1)</i>	<u>118</u>	<u>91</u>
The turnover days of the average trade payables <i>(Note 2)</i>	<u>118</u>	<u>107</u>

Note 1: The average trade receivables are the sum of opening balance and the closing balance of trade receivables divided by 2. The turnover days of the average trade receivables are the average trade receivables divided by revenue and multiplied by 365 (for half year, multiplied by 180).

Note 2: The average trade payables are the sum of opening balance and the closing balance of trade payables divided by 2. The turnover days of the average trade payables are the average trade payables divided by cost of sales and multiplied by 365 (for half year, multiplied by 180).

The following table sets forth the aging analysis of trade receivables as at 30 June 2011 and 31 December 2010.

	30 June 2011 (RMB million)	31 December 2010 (RMB million)
Less than one year	57,805	47,738
One to two years	11,532	9,281
Two to three years	4,750	2,691
Three to four years	1,212	1,133
Four to five years	428	257
Over five years	709	674
Total	<u>76,436</u>	<u>61,774</u>

As at 30 June 2011, there was a significant change in the trade receivables of one to two years and of two to three years as compared with those as at 31 December 2010, mainly due to the BT or BOT projects for roads and bridges, public facilities and social welfare housing projects vigorously carried out by the Company's subsidiaries through cooperation with governments, which resulted in a significant increase in trade receivables of the Group as compared with last year.

The following table sets forth the aging analysis of trade payables as at 30 June 2011 and 31 December 2010.

	As at 30 June 2011 (RMB million)	As at 31 December 2010 (RMB million)
Less than one year	51,044	47,145
One to two years	8,791	7,895
Two to three years	3,241	3,030
Over three years	2,511	1,666
Total	65,587	59,736

(7) *Retentions*

The following table sets forth the book value of retentions as at 30 June 2011 and 31 December 2010.

	As at 30 June 2011 (RMB million)	As at 31 December 2010 (RMB million)
Current portion	1,014	1,284
Non-current portion	233	695
Total	1,247	1,979

(8) *Assets-liabilities ratio*

The following table sets forth the assets-liabilities ratio of the Group as at 30 June 2011 and 31 December 2010.

	As at 30 June 2011 (RMB million)	As at 31 December 2010 (RMB million)
Total liabilities	263,711	234,709
Total assets	319,206	288,221
Assets-liabilities ratio	<u>82.61%</u>	<u>81.43%</u>

5. **Indebtedness**

(1) *Borrowings*

The following table sets forth the Group's total borrowings as at 30 June 2011 and 31 December 2010.

	As at 30 June 2011 (RMB million)	As at 31 December 2010 (RMB million)
Non-current		
Long-term bank borrowings		
— Secured <i>(Note 1)</i>	5,796	4,379
— Unsecured	<u>26,084</u>	<u>23,552</u>
	<u>31,880</u>	<u>27,931</u>

	As at 30 June 2011 (RMB million)	As at 31 December 2010 (RMB million)
Other long-term borrowings		
— Unsecured	6,512	6,562
— Debentures <i>(Note 2(i))</i>	18,230	18,182
	<u>24,742</u>	<u>24,744</u>
Total non-current borrowings	<u>56,622</u>	<u>52,675</u>
Current		
Short-term bank borrowings		
— Secured <i>(Note 1)</i>	3,159	3,323
— Unsecured	38,287	18,995
	<u>41,446</u>	<u>22,318</u>
Other short-term borrowings		
— Unsecured	3,402	4,952
— Debentures <i>(Note 2(ii))</i>	14,400	18,350
	<u>17,802</u>	<u>23,302</u>
Current portion of long-term bank borrowings		
— Secured <i>(Note 1)</i>	801	717
— Unsecured	7,323	6,380
	<u>8,124</u>	<u>7,097</u>

	As at 30 June 2011 (RMB million)	As at 31 December 2010 (RMB million)
Current portion of other long-term borrowings		
— Unsecured	<u>600</u>	<u>532</u>
	<u>600</u>	<u>532</u>
Total current borrowings	<u>67,972</u>	<u>53,249</u>
Total borrowings	<u><u>124,594</u></u>	<u><u>105,924</u></u>

Note 1: Secured borrowings of the Group were secured by the Group's property, plant and equipment, land use rights and properties under development and guarantees provided by certain related parties.

Note 2: (i) As approved by the National Development and Reform Commission, the Group had issued corporate debentures in July 2008 at par value of RMB3,500 million, with a maturity of ten years from issuance.

As approved by the National Association of Financial Market Institutional Investors, the Group issued its Tranche I Medium-Term Notes ("MTN") on 19 September 2010 with a total value of RMB10,000 million, with a maturity of ten years from issuance and interest rate of 3.95% per annum with the issuer's redemption rights at the end of the fifth year. If the Group does not exercise its redemption rights in the end of the fifth year, the coupon rate of the MTN for the 6th year to the 10th year will increase to 5.09%.

The Group issued its Tranche II MTN on 15 November 2010 of RMB4,700 million, with a maturity of five years from issuance and interest rate of 4.72% per annum.

- (ii) As approved by the National Association of Financial Market Institutional Investors, the Group issued its Tranche I short-term debentures on 27 May 2010 at par value of RMB4,000 million, with a maturity of one year from issuance. The debentures are unsecured, and bear interests at a fixed rate of 2.73% per annum, out of which RMB50 million was issued to a subsidiary of the Company. The short-term debentures have reached their maturity dates in May 2011.

The Group issued Tranche II short-term debentures on 17 September 2010 at par value of RMB10,000 million, with a maturity of one year from issuance. The debentures are unsecured and bear interests at a rate of 2.97% per annum. Principal and interests are paid upon maturity date.

The Group issued Tranche III short-term debentures on 11 November 2010 at par value of RMB4,400 million, with a maturity of one year from issuance. The debentures are unsecured and bear interests at a rate of 3.35% per annum. Principal and interests are paid upon maturity date.

(2) *Financial Guarantee*

The nominal values of the financial guarantees issued by the Group as at 30 June 2011 and 31 December 2010 are set out as below:

	As at 30 June 2011 (RMB million)	As at 31 December 2010 (RMB million)
Outstanding guarantees (<i>Note 1</i>)		
— Third parties	264	288
— Related parties	100	100
Total	<u>364</u>	<u>388</u>

Note 1: The Group has acted as the guarantor mainly for various external borrowings made by certain associates and third parties. The third parties are mainly the companies in which the Group holds small portion of equity interest or its long-term suppliers.

The Group considers that the fair value of these guarantee contracts at the date of inception was not material, the repayment is expected to be on schedule and risk of default in payment was remote. Therefore no provision has been made in the financial statements for the guarantees.

(3) *Contingencies*

(a) Pending lawsuits/arbitration

	As at 30 June 2011 (RMB million)	As at 31 December 2010 (RMB million)
Pending lawsuits/arbitration	<u>977</u>	<u>318</u>

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Pending lawsuits and arbitrations include a lawsuit with a claim of payment of AUD80 million (equivalent to RMB553 million). Such amount has been recognised as trade payables of the Group. The Group believes that no additional provision should be provided. Such lawsuit is only related to the payment of the money owed by the Group.

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

(b) Onerous contract

For certain engineering and construction contracts, the Group is negotiating with the proprietor on the amendment of contracts. As of 30 June 2011, the accumulated project costs incurred and the total value of signed subcontracts are not more than the total contract value agreed with the proprietor. Therefore, the Group concluded that the costs incurred as of 30 June 2011 could be recoverable and no contract loss existed. However, since the outcome of the amendments of the scope of contract, the change of design or the complexity of project execution etc., the related additional cost of the contracts and additional contract billings that may be agreed upon between the Group and the proprietor in the future cannot be reliably estimated. Therefore, the Group adopts the cost recovery method to recognize contractual revenue based on recoverable costs in the 2011 interim financial report.

The Group will continuously assess the profitability of the project based on the negotiation with the proprietor and the progress of the project. In the future, should the Group incurred additional costs that cannot be recovered by additional billings, a contract loss will be recognized.

6. RISK FACTORS

The Group's operating activities are exposed to a variety of risks such as market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(1) Interest Rate Risk

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

To monitor the impact of interest rate fluctuations, the Group continually assesses and monitors the exposure to interest rate risk and has entered into fixed rate borrowings arrangements.

(2) *Foreign Exchange Risk*

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, there are also revenue from the Group's foreign operations and purchases of machinery and equipment from overseas suppliers.

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

To monitor the impact of exchange rate fluctuations, the Group continually assesses and monitors the exposure to foreign exchange risk. The Group currently has no foreign exchange hedging policy. However, the management will continuously monitor the exposure to foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arise.

(3) *Price Risk*

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

(4) *Credit Risk*

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

Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality. None of the cash at bank, bank deposits, restricted cash and held-to-maturity financial assets of the Group that were fully performed has been renegotiated.

The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. Normally the Group does not require collateral from trade debtors. No single customer accounted for more than 5% of the Group's turnover in the first half of 2011.

(5) *Liquidity Risk*

Prudent liquidity risk management by the management implies the Group's sufficient cash reserve and the availability of funding through abundant committed credit lines. The Group aims to maintain flexibility in funding by keeping credit lines available. The Group finances its working capital demand through a combination of funds generated from operations and bank and other borrowings.

(6) *Operational Risks of Subsidiaries and Key Projects*

Huludao Nonferrous Group Co., Ltd. (葫蘆島有色集團有限公司), a subsidiary of the Company, has been loss-making for a long period of time. The Group is actively seeking solutions through various measures. Meanwhile, projects financed by A Share proceeds such as the Ramu nickel laterite mine project, the new project on the manufacturing of forged steel rolling mill and the expansion of the hot processing production capacity in Fuping County, Shaanxi Province as well as the EPC contract of the SINO ore mine construction project in Western Australia are all in progress or undergoing equipment testing. The solutions to the aforementioned projects and their operating results will significantly affect the financial performance of the Group.

IV. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2011	31 December 2010
	<i>Note</i>	<i>RMB 'million</i>	<i>RMB 'million</i>
		Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		39,010	37,104
Land use rights		8,126	8,054
Mining rights		5,350	4,857
Investment properties		912	812
Intangible assets		6,764	6,473
Investments in associates		1,880	1,815
Available for sale financial assets	5	1,251	1,548
Deferred income tax assets		2,359	2,161
Trade and other receivables	6	18,216	10,272
Other non-current assets		144	131
Total non-current assets		84,012	73,227

IV. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

		30 June 2011	31 December 2010
	Note	RMB 'million Unaudited	RMB 'million Audited
Current assets			
Inventories		16,456	13,025
Properties under development		48,587	41,669
Completed properties held for sale		3,030	3,606
Trade and other receivables	6	91,783	84,390
Amounts due from customers for contract work		35,830	30,601
Available-for-sale financial assets	5	250	—
Held-to-maturity financial assets		250	250
Restricted cash		2,104	2,151
Cash and cash equivalents		36,904	39,302
Total current assets		235,194	214,994
Total assets		319,206	288,221

IV. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

		30 June 2011	31 December 2010
	Note	RMB 'million Unaudited	RMB 'million Audited
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		19,110	19,110
Reserves		26,903	25,861
— Proposed dividend		—	898
— Other reserves		26,903	24,963
		46,013	44,971
Non-controlling interests		9,482	8,541
Total equity		55,495	53,512
LIABILITIES			
Non-current liabilities			
Borrowings		56,622	52,675
Deferred income		890	801
Retirement and other supplemental benefit obligations		5,855	5,612
Provisions for other liabilities and charges		54	55
Trade and other payables	7	1,151	855
Deferred income tax liabilities		524	545
Total non-current liabilities		65,096	60,543

IV. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

		30 June 2011	31 December 2010
	Note	RMB 'million Unaudited	RMB 'million Audited
Current liabilities			
Trade and other payables	7	115,370	106,314
Amounts due to customers for contract work		14,064	12,722
Current income tax liabilities		780	1,278
Borrowings		67,972	53,249
Retirement and other supplemental benefit obligations		429	603
Total current liabilities		<u>198,615</u>	<u>174,166</u>
Total liabilities		<u>263,711</u>	<u>234,709</u>
Total equity and liabilities		<u><u>319,206</u></u>	<u><u>288,221</u></u>
Net current assets		<u><u>36,579</u></u>	<u><u>40,828</u></u>
Total assets less current liabilities		<u><u>120,591</u></u>	<u><u>114,055</u></u>

V. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2011	2010
	Note	RMB 'million	RMB 'million
		Unaudited	(See note 2(b))
Revenue		105,838	88,850
Cost of sales	8	<u>(95,960)</u>	<u>(80,010)</u>
Gross profit		<u>9,878</u>	<u>8,840</u>
Selling and marketing expenses	8	(844)	(594)
Administrative expenses	8	(4,855)	(3,790)
Other income		538	445
Other gains/(losses) - net		142	(153)
Other expenses		<u>(121)</u>	<u>(110)</u>
Operating profit		<u>4,738</u>	<u>4,638</u>
Finance income	9	585	282
Finance costs	9	(1,778)	(1,421)
Share of profits of associates		<u>22</u>	<u>39</u>
Profit before income tax		3,567	3,538
Income tax expense	10	<u>(1,282)</u>	<u>(1,015)</u>
Profit for the period		<u>2,285</u>	<u>2,523</u>

V. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

(Continued)

		Six months ended 30 June	
		2011	2010
	Note	RMB 'million	RMB 'million
		Unaudited	(See note 2(b))
Attributable to:			
Equity holders of the Company		1,969	2,224
Non-controlling interests		316	299
		<u>2,285</u>	<u>2,523</u>
Earnings per share for profit			
attributable to the equity holders			
of the Company			
— Basic earnings per share (RMB)	11	<u>0.10</u>	<u>0.12</u>
— Diluted earnings per share (RMB)	11	<u>0.10</u>	<u>0.12</u>
Dividends	12	<u>—</u>	<u>—</u>

VI. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	<i>RMB 'million</i>	<i>RMB 'million</i>
<i>Note</i>	Unaudited	<i>(See note 2(b))</i>
Profit for the period	2,285	2,523
Other comprehensive expense:		
Fair value losses on available-for-sale financial assets, net of tax	(70)	(105)
Currency translation differences	(66)	(151)
Other comprehensive expense for the period, net of tax	<u>(136)</u>	<u>(256)</u>
Total comprehensive income for the period	<u>2,149</u>	<u>2,267</u>
Total comprehensive income attributable to:		
Equity holders of the Company	1,839	1,988
Non-controlling interests	<u>310</u>	<u>279</u>
	<u>2,149</u>	<u>2,267</u>

VII. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the Company					Non-controlling interests	Total
		Share capital	Other reserves	Retained earnings	Sub total			
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million		
Unaudited								
As at 1 January 2011		19,110	18,256	7,605	44,971	8,541		53,512
Profit for the period		—	—	1,969	1,969	316		2,285
Other comprehensive income:								
Fair value losses on available-for-sale financial assets, net of tax		—	(70)	—	(70)	—		(70)
Currency translation differences		—	(60)	—	(60)	(6)		(66)
Total comprehensive (expenses)/income for the period		—	(130)	1,969	1,839	310		2,149
Transactions with owners:								
Dividends	12	—	—	(898)	(898)	(79)		(977)
Transaction with non-controlling interests		—	(29)	—	(29)	143		114
Disposal of partial interests in a subsidiary without loss of control		—	130	—	130	154		284
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	141		141
Additional capital injection from owners and non-controlling interest proportionally		—	—	—	—	272		272
Total transactions with owners		—	101	(898)	(797)	631		(166)
As at 30 June 2011		<u>19,110</u>	<u>18,227</u>	<u>8,676</u>	<u>46,013</u>	<u>9,482</u>		<u>55,495</u>

VII. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

		Attributable to equity holders of the Company					
						Non-	
		Share capital	Other reserves	Retained earnings	Sub total	controlling interests	
		Sub total	Total				
Unaudited	Note	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
(See note 2(b))							
As at 1 January 2010		19,110	17,272	2,386	38,768	7,308	46,076
Profit for the period		—	—	2,224	2,224	299	2,523
Other comprehensive income:							
Fair value losses on available-for-sale financial assets, net of tax		—	(93)	—	(93)	(12)	(105)
Currency translation differences		—	(143)	—	(143)	(8)	(151)
Total comprehensive (expenses)/income for the period		—	(236)	2,224	1,988	279	2,267
Transactions with owners:							
Dividends	12	—	—	—	—	(19)	(19)
Transaction with non-controlling interests		—	(6)	—	(6)	(71)	(77)
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	682	682
Additional capital injection from owners and non-controlling interests proportionally		—	—	—	—	459	459
Capital contribution		—	380	—	380	—	380
Business combination under common control		—	(39)	—	(39)	(6)	(45)
Safety fund		—	6	—	6	4	10
Others		—	(21)	—	(21)	—	(21)
Total transactions with owners		—	320	—	320	1,049	1,369
As at 30 June 2010		19,110	17,356	4,610	41,076	8,636	49,712

VIII. UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2011	2010
	<i>Note</i> RMB 'million Unaudited	RMB 'million Unaudited
Cash flows from operating activities		
Cash used in operations	(11,279)	(9,278)
Income tax paid	(2,221)	(1,435)
Net cash used in operating activities	(13,500)	(10,713)
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,208)	(3,594)
Purchases of land use rights	(169)	(207)
Purchases of mining rights	(424)	—
Purchases of investment properties	—	(2)
Purchases of intangible assets	(331)	(682)
Purchases of available-for-sale financial assets	(253)	(208)
Purchases of held-to-maturity financial assets	—	(529)
Increase in investment in associates	(166)	(3)
Net cash outflow for acquisition of subsidiaries	(26)	(25)
Net cash outflow for business combination under common control	—	(42)
Entrusted loans and other amount (paid to)/received from related parties and third parties	(481)	93
Proceeds from disposal of property, plant and equipment	118	75
Proceeds from disposal of land use rights	15	2
Proceeds from disposal of mining rights	8	—
Proceeds from disposal of investment properties	23	1
Proceeds from disposal of intangible assets	11	9
Proceeds from disposal of available-for-sale financial assets	527	42

VIII. UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

	Six months ended 30 June	
	2011	2010
<i>Note</i>	<i>RMB 'million</i>	<i>RMB 'million</i>
	Unaudited	Unaudited
Proceeds from held-to-maturity financial assets upon maturity date	—	213
Net cash inflow from disposal of investment in associates	—	5
Acquisition of non-controlling interests	(10)	(98)
Dividends received	28	10
Net cash inflow from government grants related to assets	<u>165</u>	<u>—</u>
Net cash used in investing activities	<u>(4,173)</u>	<u>(4,940)</u>
Cash flows from financing activities		
Proceeds from borrowings	42,003	46,458
Repayments of borrowings	(25,346)	(27,179)
Contribution received from non-controlling interests	819	808
Dividends paid	(89)	(77)
Interest paid	(2,166)	(2,190)
Capital contribution	—	380
Changes in restricted cash	47	(684)
Net cash outflow from finance leases	<u>(1)</u>	<u>(8)</u>
Net cash generated from financing activities	<u>15,267</u>	<u>17,508</u>
Net (decrease)/increase in cash and cash equivalents	(2,406)	1,855
Cash and cash equivalents at beginning of the period	39,302	44,740
Exchange gains/(losses) on cash and cash equivalents	<u>8</u>	<u>(124)</u>
Cash and cash equivalents at end of the period	<u>36,904</u>	<u>46,471</u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

- (a) Metallurgical Corporation of China Ltd.* was established in China on 1 December 2008. The A Shares of the Company were listed on the Shanghai Stock Exchange on 21 September 2009, and the H Shares of the Company were listed on the Main Board of Hong Kong Stock Exchange on 24 September 2009. The address of the Company's registered office is No. 28 Shuguang Xili, Chaoyang District, Beijing.

The Company's parent company is China Metallurgical Group Corporation ("the Parent"). The Company's ultimate holding company is SASAC.

- (b) The Group is principally engaged in following activities:

- Provision of engineering, construction and other related contracting services for metallurgical and non-metallurgical projects;
- Development and production of metallurgical equipment, steel structures and other metal products;
- Development, mining and processing of mineral resources and the production of polysilicon; and
- Development and sale of residential and commercial properties, affordable housing construction and primary land development.

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

1. General information (*Continued*)

- (c) This condensed consolidated interim financial information is presented in RMB, unless otherwise stated.

This condensed consolidated interim financial information for the six months ended 30 June 2011 was approved for issue by the Board of the Company on 30 August 2011.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

- (a) This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with IAS 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRS.
- (b) Adjustment for early adoption of amendment to IFRS 1 in 2010

The Group decided to early adopt the amendment to Appendix D of IFRS 1 “First-time Adoption of International Financial Reporting Standards” in the second half year of 2010. With this amendment, a first-time adopter (“FTA”) may elect to use event-driven (such as privatisation or initial public offering) fair values under previous accounting standards as its deemed costs under IFRS, provided that the revaluation took place at periods before or during the FTA’s first set of IFRS financial statements.

Details of the adjustments for early adoption of amendment to IFRS 1 on the Group’s financial position as at 31 December 2010 are set out in Note 23(a) of the Group’s annual financial statements for the year ended 31 December 2010, and the adjustments on the Group’s results for the six months ended 30 June 2010 are set out in Note 13(a).

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

(a) Amendment to existing standards adopted by the Group

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

- Amendment to IAS 34 ‘Interim financial reporting’ is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures. The amendment has no material impact on interim financial statements of the Group. The Group has disclosed the significant events and transactions in interim financial statements.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- Amendment to IAS 32 ‘Classification of rights issues’
- Amendment to IFRIC — Int-14 ‘Prepayments of a minimum funding requirement’
- IFRIC — Int-19 ‘Extinguishing financial liabilities with equity instruments’

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

4. Segment information

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

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

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

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

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

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

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

4. Segment information (*Continued*)

(a) For the six months ended 30 June 2011:

The segment results for the six months ended 30 June 2011 are as follows:

Unaudited	Engineering and construction <i>RMB 'million</i>	Equipment manufacturing <i>RMB 'million</i>	Resources development <i>RMB 'million</i>	Property development <i>RMB 'million</i>	Others <i>RMB 'million</i>	Elimination <i>RMB 'million</i>	Total <i>RMB 'million</i>
Segment revenue	82,458	6,783	6,616	8,642	3,130	(1,791)	105,838
Inter-segment revenue	<u>(1,228)</u>	<u>(28)</u>	<u>(22)</u>	<u>—</u>	<u>(513)</u>	<u>1,791</u>	<u>—</u>
Revenue	<u>81,230</u>	<u>6,755</u>	<u>6,594</u>	<u>8,642</u>	<u>2,617</u>	<u>—</u>	<u>105,838</u>
Segment result	3,287	(7)	854	609	83	(9)	4,817
Unallocated costs							<u>(79)</u>
Operating profit							4,738
Finance income							585
Finance costs							(1,778))
Share of profit/(loss) of associates	26	(2)	—	(2)	—	—	<u>22</u>
Profit before income tax							3,567
Income tax expense							<u>(1,282)</u>
Profit for the period							<u><u>2,285</u></u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

4. Segment information (*Continued*)

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

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

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
(See note 2(b))	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Segment revenue	70,859	4,618	4,327	7,725	3,236	(1,915)	88,850
Inter-segment revenue	(759)	(11)	(104)	—	(1,041)	1,915	—
Revenue	<u>70,100</u>	<u>4,607</u>	<u>4,223</u>	<u>7,725</u>	<u>2,195</u>	<u>—</u>	<u>88,850</u>
Segment result	3,379	(47)	181	1,101	220	(139)	4,695
Unallocated costs							<u>(57)</u>
Operating profit							4,638
Finance income							282
Finance costs							(1,421)
Share of profit/ (loss) of associates	47	(4)	—	(4)	—	—	<u>39</u>
Profit before income tax							3,538
Income tax expense							<u>(1,015)</u>
Profit for the period							<u><u>2,523</u></u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

5. Available-for-sale financial assets

Available-for-sale financial assets include the following:

	As at 30 June 2011 <i>RMB 'million</i> Unaudited	As at 31 December 2010 <i>RMB 'million</i> Audited
Listed securities		
— Equity securities - China	<u>453</u>	<u>867</u>
Unlisted securities		
— Equity securities - China	<u>1,048</u>	<u>681</u>
At end of period	<u>1,501</u>	<u>1,548</u>
Less: non-current portion	<u>(1,251)</u>	<u>(1,548)</u>
Current portion	<u><u>250</u></u>	<u><u>—</u></u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

6. Trade and other receivables

	As at 30 June 2011 <i>RMB 'million</i> Unaudited	As at 31 December 2010 <i>RMB 'million</i> Audited
Trade receivables		
Trade receivables	64,365	49,521
Retentions	1,247	1,979
Notes receivables	10,824	10,274
	<u>76,436</u>	<u>61,774</u>
Less: Provision for impairment	<u>(3,906)</u>	<u>(3,607)</u>
Trade receivables - net	<u>72,530</u>	<u>58,167</u>
Other receivables		
Prepayments to suppliers	24,980	22,607
Deposits	8,957	8,649
Amounts due from related parties and third parties	2,414	1,848
Staff advances	1,036	702
Prepayment for investments	295	2,606
Others	776	970
	<u>38,458</u>	<u>37,382</u>
Less: Provision for impairment	<u>(989)</u>	<u>(887)</u>
Other receivables - net	<u>37,469</u>	<u>36,495</u>
Total trade and other receivables	<u>109,999</u>	<u>94,662</u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

6. Trade and other receivables (*Continued*)

	As at 30 June 2011 <i>RMB 'million</i> Unaudited	As at 31 December 2010 <i>RMB 'million</i> Audited
Less: Non-current portion		
— Trade and other receivables	(17,983)	(9,577)
— Retentions	<u>(233)</u>	<u>(695)</u>
	<u>(18,216)</u>	<u>(10,272)</u>
Current portion	<u><u>91,783</u></u>	<u><u>84,390</u></u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

6. Trade and other receivables (*Continued*)

Ageing analysis of the trade receivables (including amounts due from related parties of trading in nature) are as follows:

	As at 30 June 2011 <i>RMB 'million</i> Unaudited	As at 31 December 2010 <i>RMB 'million</i> Audited
Less than 1 year	57,805	47,738
1 year to 2 years	11,532	9,281
2 years to 3 years	4,750	2,691
3 years to 4 years	1,212	1,133
4 years to 5 years	428	257
Over 5 years	709	674
Trade receivables - gross	76,436	61,774
Less: Provision for impairment	(3,906)	(3,607)
Trade receivables - net	<u>72,530</u>	<u>58,167</u>

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

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

7. Trade and other payables

	As at 30 June 2011 <i>RMB 'million</i> Unaudited	As at 31 December 2010 <i>RMB 'million</i> Audited
Trade payables	65,587	59,736
Other payables		
Accrued payroll and related expenses	2,215	1,934
Accrued expenses	618	694
Purchase deposits from customers	31,455	29,004
Deposits payable	4,764	4,061
Payable for land use rights	840	132
Rental payable	366	297
Utilities payable	266	289
Repair and maintenance payable	346	393
Other taxes payable	2,195	3,395
Payables due to third parties	605	2,574
Others	7,264	4,660
	50,934	47,433
Total trade and other payables	116,521	107,169
Less: Non-current portion		
Other payables	(1,151)	(855)
Current portion	115,370	106,314

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

7. Trade and other payables (*Continued*)

As at 30 June 2011, payables due to third parties are mainly payables to a trust company Zhong Hai Trust Co., Ltd.. The payables due to third parties are secured, bear interests at rates ranging from 5.38% to 6.12% (31 December 2010: 4.80% to 4.97%) per annum and repayable between 1 to 2 (31 December 2010: 1 to 2) years.

As at 30 June 2011, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) are as follows:

	As at 30 June 2011 <i>RMB 'million</i> Unaudited	As at 31 December 2010 <i>RMB 'million</i> Audited
Less than 1 year	51,044	47,145
1 year to 2 years	8,791	7,895
2 years to 3 years	3,241	3,030
Over 3 years	2,511	1,666
	<u>65,587</u>	<u>59,736</u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(Continued)*

8. Expenses by nature

	Six months ended 30 June	
	2011	2010
	<i>RMB 'million</i>	<i>RMB 'million</i>
	Unaudited	(See note 2(b))
Raw materials, purchased equipment and consumables used	43,211	39,612
Changes in inventories of finished goods and work-in-progress	(7,653)	(9,043)
Subcontracting charges	47,317	38,688
Employee benefits	6,906	5,607
Depreciation of property, plant and equipment	1,037	987
Fuel and heating expenditure	495	328
Business tax and other transaction taxes	2,767	2,257
Travelling expenses	643	607
Office expenses	1,033	824
Transportation costs	429	261
Operating lease rentals	1,859	1,456
Provision for impairment of trade and other receivables	414	396
Research and development costs	507	385
Repairs and maintenance	539	446
Advertising expenditure	200	109

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

8. Expenses by nature (*Continued*)

	Six months ended 30 June	
	2011	2010
	<i>RMB 'million</i>	<i>RMB 'million</i>
	Unaudited	(See note 2(b))
Provision for/(reversal of) foreseeable losses on construction contracts	113	(1)
Amortisation of land use rights	89	64
Amortisation of mining rights	6	3
Depreciation of investment property	19	11
Amortisation of intangible assets	49	33
Insurance expenditure	49	56
Provision for impairment on inventories	10	20
Professional and technical consulting fees	433	335
Bank charges relating to operating activities	86	217
Provision for impairment of property, plant and equipment	1	—
Provision for impairment of land use rights	40	—
Others	1,060	736
Total cost of sales, selling and marketing expenses and administrative expenses	<u>101,659</u>	<u>84,394</u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

9. Finance income and costs

	Six months ended 30 June	
	2011	2010
	<i>RMB 'million</i>	<i>RMB 'million</i>
	Unaudited	Unaudited
Interest expense		
— Bank borrowings wholly repayable within 5 years	1,839	1,520
— Bank borrowings wholly repayable over 5 years	172	215
— Other borrowings	954	422
	<u>2,965</u>	<u>2,157</u>
Less: Amounts capitalised in construction-in-progress (<i>a</i>)	(194)	(234)
Less: Amounts capitalised in properties under development (<i>b</i>)	<u>(959)</u>	<u>(549)</u>
	1,812	1,374
Net foreign exchange gains on borrowings	(150)	(20)
Discount charges on bank acceptance notes	<u>116</u>	<u>67</u>
Finance costs	<u>1,778</u>	<u>1,421</u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

9. Finance income and costs (*Continued*)

	Six months ended 30 June	
	2011	2010
	<i>RMB 'million</i>	<i>RMB 'million</i>
	Unaudited	Unaudited
Interest income on bank deposits	(555)	(187)
Interest income on held-to-maturity financial assets	—	(2)
Interest income on loans to related parties	(27)	(47)
Gain on debt restructuring	(3)	(46)
Finance income	(585)	(282)
Finance costs, net	1,193	1,139

- (a) Interest expense was capitalised as construction-in-progress at the average effective rate of 4.86% (six months ended 30 June 2010: 4.42%) per annum for the six months ended 30 June 2011.
- (b) Interest expense was capitalised as properties under development at the average effective rate of 5.63% (six months ended 30 June 2010: 5.47%) per annum for the six months ended 30 June 2011.

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

10. Taxation

Income tax expense

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

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

Taxation of the Group's companies that are incorporated and operating in foreign countries are calculated on the estimated assessable profit for the period at the tax rates prevailing in those countries or jurisdictions.

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

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

10. Taxation (*Continued*)

Income tax expense (Continued)

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

	Six months ended 30 June	
	2011	2010
	<i>RMB 'million</i>	<i>RMB 'million</i>
	Unaudited	(See note 2(b))
Current income tax:		
— PRC enterprise income tax	1,334	968
— Overseas taxation	2	2
	<u>1,336</u>	<u>970</u>
PRC land appreciation tax	142	138
Deferred income tax	<u>(196)</u>	<u>(93)</u>
	<u><u>1,282</u></u>	<u><u>1,015</u></u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

10. Taxation (*Continued*)

Income tax expense (Continued)

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

	Six months ended 30 June	
	2011	2010
	RMB 'million	RMB 'million
	Unaudited	<i>(See note 2(b))</i>
Profit before income tax	3,567	3,538
Tax calculated at the statutory tax rate of 25%	892	885
Effect of difference between applicable tax rate and statutory tax rate to Group companies	(221)	(145)
Tax losses for which no deferred income tax asset was recognised	393	244
Income not subject to taxation	(49)	(83)
Expense not deductible for tax purpose	118	78
Additional tax relief	(21)	(39)
Utilisation of previously unrecognised tax losses and other deferred tax assets	(20)	(43)
Effect of higher tax rate for the appreciation of land in the PRC	106	104
Others	84	14
Income tax expense	<u>1,282</u>	<u>1,015</u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

11. Earnings per share

(a) *Basic*

Basic earnings per share for the six months ended 30 June 2011 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2011	2010
	Unaudited	(See note 2(b))
Profit attributable to equity holders of the Company (<i>RMB' million</i>)	<u>1,969</u>	<u>2,224</u>
Weighted average number of ordinary shares in issue (<i>million share</i>)	<u>19,110</u>	<u>19,110</u>
Basic earnings per share (<i>RMB</i>)	<u>0.10</u>	<u>0.12</u>

(b) *Diluted*

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

12. Dividends

A 2010 final dividend of RMB0.047 per ordinary share, totalling RMB898 million, was approved by the Company's Shareholders in the annual general meeting on 17 June 2011.

No interim dividend for the six months ended 30 June 2011 was declared by the Board (six months ended 30 June 2010: Nil).

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

13. Reserve

Unaudited	Capital	Other capital	Available- for-sale	Translation		Retained	
	premium	reserve	investments	differences	Other reserves	earnings	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 1 January 2011	17,948	(83)	219	(117)	289	7,605	25,861
Profit for the period	—	—	—	—	—	1,969	1,969
Other comprehensive income:							
Fair value losses on							
available-for-sale							
financial assets, net of tax	—	—	(70)	—	—	—	(70)
Currency translation differences	—	—	—	(60)	—	—	(60)
Total comprehensive (expenses)/							
 income for the period	—	—	(70)	(60)	—	1,969	1,839
Transactions with owners							
Dividends	—	—	—	—	—	(898)	(898)
Transaction with non-controlling							
interests	—	(29)	—	—	—	—	(29)
Disposal of partial interests in							
a subsidiary without loss							
of control	—	130	—	—	—	—	130
Total transactions with owners	—	101	—	—	—	(898)	(797)
As at 30 June 2011	<u>17,948</u>	<u>18</u>	<u>149</u>	<u>(177)</u>	<u>289</u>	<u>8,676</u>	<u>26,903</u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

13. Reserve (*Continued*)

Unaudited (See note 2(b))	Capital premium	Other capital reserve	Available- for-sale investments	Translation differences	Other reserves	Retained earnings	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 1 January 2010	16,949	(21)	212	(61)	193	2,386	19,658
Profit for the period (a)	—	—	—	—	—	2,224	2,224
Other comprehensive income:							
Fair value losses on available-for-sale financial assets, net of tax	—	—	(93)	—	—	—	(93)
Currency translation differences	—	—	—	(143)	—	—	(143)
Total comprehensive (expenses)/ income for the period	—	—	(93)	(143)	—	2,224	1,988
Transactions with owners							
Transaction with non-controlling interests	—	(6)	—	—	—	—	(6)
Capital contribution	—	380	—	—	—	—	380
Business combination under common control	—	(39)	—	—	—	—	(39)
Safety fund	—	6	—	—	—	—	6
Others	—	(21)	—	—	—	—	(21)
Total transactions with owners	—	320	—	—	—	—	320
As at 30 June 2010	<u>16,949</u>	<u>299</u>	<u>119</u>	<u>(204)</u>	<u>193</u>	<u>4,610</u>	<u>21,966</u>

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (*Continued*)

13. Reserve (*Continued*)

(a) *Adjustment for early adoption of amendment to IFRS 1 in 2010*

The adjustments for early adoption of amendment to IFRS 1 (Note 2(b)) on the Group's results for the six month ended 30 June 2010 are summarised as follow:

	As previously reported <i>RMB 'million</i>	Adjustment for early adoption of amendment to IFRS 1 <i>RMB 'million</i>	As restated <i>RMB 'million</i>
Six months ended 30 June 2010			
Revenue	88,850	—	88,850
Profit before income tax	3,616	(78)	3,538
Income tax expense	(1,020)	5	(1,015)
Profit for the period	2,596	(73)	2,523
Attributable to:			
Equity holders of the Company	2,275	(51)	2,224
Non-controlling interests	321	(22)	299
	2,596	(73)	2,523

X. SHARE CAPITAL

1. Changes in Share Capital

(1) Changes in share

As of 30 June 2011, the Company had a registered capital of RMB19,110,000,000, divided into 19,110,000,000 shares with a nominal value of RMB1.00 each. These shares include:

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

There were no changes in the total number of shares of the Company during the Reporting Period.

(2) Changes in shares subject to selling restrictions

There were no changes in the total number of shares of the Company subject to selling restrictions during the Reporting Period.

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

There were no changes in the total number of shares, nor were there any changes in the share capital structure of the Company during the Reporting Period.

(4) Existing internal employee shares

The Company had no internal employee shares during the Reporting Period.

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

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

(6) Pre-emptive rights and share option arrangements

There are no mandatory provisions for pre-emptive rights under the Articles of Association. Subject to the Hong Kong Listing Rules and pursuant to the Articles of Association, the Company may increase its registered capital by issuing shares through public or non-public offering, issuing bonus shares to existing Shareholders, converting capital reserve to share capital or by using other methods as permitted by laws and administrative regulations or approved by relevant authorities.

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

2. PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON

(1) Number of Shareholders and their shareholding

As at the end of the Reporting Period, the Company had a total of 359,744 Shareholders. Among which, 351,023 were A Share Shareholders and 8,721 were H Share Shareholders.

Particulars of the top 10 Shareholders (Note 1)

Unit: Share

Name of Shareholder	Change during the Reporting Period	Total number of shares held at the end of the period	Percentage (%)	Number of shares subject to selling restrictions held	Status of shares pledged or frozen	Nature of Shareholder
China Metallurgical Group Corporation	0	12,265,108,500	64.18	12,265,108,500	Nil	State-owned legal person
HKSCC Nominees Limited (Note 2)	-14,574,000	2,840,107,000	14.86	0	Unknown	Others
Account no. 3 of the National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	-3,500,000	346,500,000	1.81	346,500,000	Unknown	State
Baosteel Group Corporation	0	123,891,500	0.65	0	Unknown	State-owned legal person
PICC Property and Casualty Company Limited – traditional – general insurance products-008C-CT001 Shanghai (中國人民財產保險股份有限公司 – 傳統 – 普通保險產品-008C-CT001滬)	25,500,270	48,238,218	0.25	0	Unknown	Others
China Construction Bank Co., Ltd. – Changsheng Tongqing Separately Traded Equity Securities Investment Fund (中國建設銀行股份有限公司 – 長盛同慶可分離交易股票型證券投資基金)	42,362,111	42,362,111	0.22	0	Unknown	Others
ICBC - Guang Fa Large-cap Growth Mixed Securities Investment Fund (中國工商銀行 – 廣發大盤成長混合型證券投資基金)	33,000,000	33,000,000	0.17	0	Unknown	Others

Name of Shareholder	Change during the Reporting Period	Total number of shares held at the end of the period	Percentage (%)	Number of shares subject to selling restrictions held	Status of shares pledged or frozen	Nature of Shareholder
ICBC – China Universal Balanced Growth Securities Investment Fund (中國工商銀行 – 匯添富均衡 增長股票型證券投資基金)	27,123,879	27,123,879	0.14	0	Unknown	Others
Bank of China – Harvest CSI 300 Index Securities Investment Fund (中國銀行 – 嘉實滬深300指數 證券投資基金)	-2,261,900	25,664,416	0.13	0	Unknown	Others
China Life Insurance Company Limited – Traditional – Ordinary Insurance Product – 005L – CT001 Shanghai (中國人壽保險股份有限公司 – 傳統 – 普通保險 產品 – 005L – CT001滬)	7,999,913	24,538,027	0.13	0	Unknown	Others

Note 1: Figures as shown in the table were extracted from the register of members of the Company as at 30 June 2011.

Note 2: The H Shares held by HKSCC Nominees Limited are those held on behalf of its beneficial holders.

**Particulars of top 10 holders of shares not
subject to selling restrictions** *(Note 1)*

Unit: share

Name of Shareholder	Number of shares not subject to selling restrictions held	Type of shares
HKSCC Nominees Limited <i>(Note 2)</i>	2,840,107,000	H Shares
Baosteel Group Corporation	123,891,500	A Shares
PICC Property and Casualty Company Limited – traditional-general insurance products – 008C – CT001 Shanghai (中國人民財產保險股份有限公司 – 傳統 – 普通保險產品 – 008C – CT001滬)	48,238,218	A Shares
China Construction Bank Co., Ltd. – Changsheng Tongqing Separately Traded Equity Securities Investment Fund (中國建設銀行股份有限公司 – 長盛同慶可分離交易股票型證券 投資基金)	42,362,111	A Shares
ICBC – Guang Fa Large-cap Growth Mixed Securities Investment Fund (中國工商銀行 – 廣發大盤成長 混合型證券投資基金)	33,000,000	A Shares

Name of Shareholder	Number of shares not subject to selling restrictions held	Type of shares
ICBC - China Universal Balanced Growth Securities Investment Fund (中國工商銀行 – 匯添富均衡增長股票型證券投資基金)	27,123,879	A Shares
Bank of China – Harvest CSI 300 Index Securities Investment Fund (中國銀行 – 嘉實滬深300指數證券投資基金)	25,664,416	A Shares
China Life Insurance Company Limited – Traditional – Ordinary Insurance Product – 005L – CT001 Shanghai (中國人壽保險股份有限公司 – 傳統 – 普通保險產品 – 005L – CT001滬)	24,538,027	A Shares
China Construction Bank – China AMC Dividend Mixed Open-end Securities Fund (中國建設銀行 – 華夏紅利混合型開放式證券投資基金)	22,147,062	A Shares
Huaxia Growing Securities Investment Funds (華夏成長證券投資基金)	19,999,965	A Shares

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

Among the above Shareholders, save that China Construction Bank - China AMC Dividend Mixed Open-end Securities Fund and Huaxia Growing Securities Investment Funds are under the common management of China Asset Management Co., Ltd. (華夏基金管理有限公司), the Company is not aware of the existence of any connections or parties acting in concert with the aforesaid Shareholders.

Note 1: Figures as shown in the table were extracted from the register of members of the Company as at 30 June 2011.

Note 2: The H Shares held by HKSCC Nominees Limited are those held on behalf of its beneficial holders.

Number of shares held by top 10 holders of shares subject to selling restrictions and information on the selling restrictions ^(Note)

Unit: Share

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

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

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

Note: Figures as shown in the table were extracted from the register of members of the Company as at 30 June 2011.

(2) *Controlling Shareholder and Ultimate Controlling Person*

1. *Controlling shareholder*

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

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

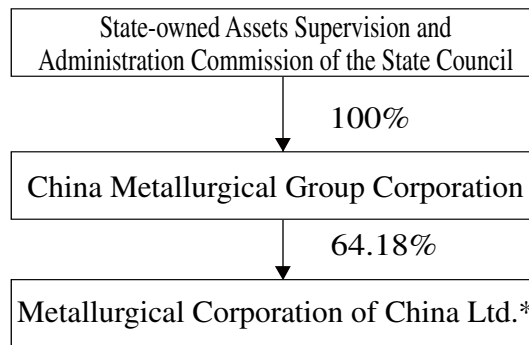
2. *Ultimate controlling person*

State-owned Assets Supervision and Administration Commission of the State Council is the ultimate controlling person of the Company.

3. *Changes of controlling shareholder and ultimate controlling person*

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

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



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

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

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

As at 30 June 2011, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Holders of A Shares

Unit: Share

Name of substantial shareholder	Capacity	Number of A Shares held	Nature of interest	Approximate percentage of total issued A Shares (%)	Approximate percentage of total issued shares (%)
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	Beneficial owner	12,265,108,500	Long position	75.53	64.18

Save as disclosed above, to the best knowledge of the Directors, Supervisors and chief executive of the Company, as at 30 June 2011, no other person or corporation was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position that would fall to be disclosed to the Company under Part XV of the SFO.

XI. REPURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiaries sold, repurchased or redeemed any of its securities of the Company as at 30 June 2011.

XII.COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2011, the Company has complied with the principles and code provisions specified in the Code on Corporate Governance Practice set out in Appendix 14 to the Hong Kong Listing Rules.

XIII.COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all Directors and Supervisors of the Company, all Directors and Supervisors of the Company confirmed that they had fully complied with the Model Code and its requirements set out for the six months ended 30 June 2011.

XIV.REVIEW WORK OF INTERIM RESULTS AND INTERIM FINANCIAL INFORMATION

The Finance and Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2011 and considered that the unaudited interim results for the six months ended 30 June 2011 were in compliance with the requirements of the applicable accounting standards and laws.

The unaudited condensed consolidated balance sheet, unaudited condensed consolidated income statement, unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated statement of changes in equity, unaudited condensed consolidated cash flow statement and notes to the unaudited condensed consolidated interim financial information of the Group as presented in this announcement were extracted from the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2011 which have been reviewed by the international auditor of the Company, PricewaterhouseCoopers Certified Public Accountants, in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the International Auditing and Assurance Standards Board.

XV. PUBLICATION OF THE INTERIM REPORT

The interim report of the Group for the six months ended 30 June 2011 will be available on the website of the Hong Kong Stock Exchange (<http://www.hkex.com.hk>) and the Company’s website (<http://www.mccchina.com>) on or before 2 September 2011 for inspection by the Company’s Shareholders.

XVI. DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Definitions

AGM	the 2010 annual general meeting of the Company held on 17 June 2011
Articles of Association	Articles of Association of Metallurgical Corporation of China Ltd.*
A Shares	the domestic shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
Board	the board of directors of the Company

China or PRC	the People's Republic of China, excluding, for purposes of this document only, Hong Kong, Macao and Taiwan
controlling shareholder	has the meaning ascribed thereto under the Hong Kong Listing Rules
Director(s)	the director(s) of the Company, including all executive, non-executive and independent non-executive directors
H Shares	the overseas listed foreign invested shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards promulgated by the International Accounting Standards Board, which include the International Accounting Standards
MCC, our Company, the Company	Metallurgical Corporation of China Ltd.*, a joint stock limited company with limited liability incorporated under the laws of the PRC on 1 December 2008
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules

Our Group, the Group	Metallurgical Corporation of China Ltd.* (unless otherwise stated) and its subsidiaries
MCC Group, Parent	China Metallurgical Group Corporation
Renminbi or RMB	Renminbi Yuan, the lawful currency of the PRC
Reporting Period	From 1 January 2011 to 30 June 2011
SFO or Securities and Futures Ordinance	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shareholder	holders of shares of the Company
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
Supervisor(s)	the supervisor(s) of the Company
U.S. dollars	United States dollars, the lawful currency of the United States

GLOSSARY

BOT	Build-Operate-Transfer, a business model in which the proprietor grants the rights to a contracted enterprise by concession agreement to undertake the financing, design, construction, operation and maintenance of a project (mainly infrastructure projects), which enterprise can charge users a fee during the concession period to cover its costs of investment, operations and maintenance as well as reasonable returns, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor
BT	Build-Transfer, a business model in which the contractor undertakes the financing of construction expenditures and transfers the project back to the proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in instalments pursuant to relevant agreements
EPC, EPC contracting	commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be responsible for the quality, safety, timely delivery and cost of the project

steel structure	a structure composed of various steel materials connected with each other through welding or bolted joints, which is widely used in industry, civil construction, railways, highways, bridges, power station structural frames, power transmission tower structures, television broadcasting towers, offshore oil platforms, gas pipes, urban infrastructure, national defense construction, and other areas
Non-ferrous metals	refers to the group of metals other than ferrous metals (iron, manganese and chromium)

By order of the Board
Metallurgical Corporation of China Ltd.*
Kang Chengye
Joint Company Secretary

Beijing, the PRC
30 August 2011

As at the date of this announcement, the Board comprises two executive Directors, Mr. Wang Weimin and Mr. Shen Heting; two non-executive Directors, Mr. Jing Tianliang and Mr. Guo Wenqing; and five independent non-executive Directors, Mr. Jiang Longsheng, Mr. Wen Keqin, Mr. Liu Li, Mr. Chen Yongkuan and Mr. Cheung Yukming.

* *For identification purpose only*