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)

2012 INTERIM RESULTS ANNOUNCEMENT

The Board of Metallurgical Corporation of China Ltd.* (the "**Company**") is hereby announce the results (unaudited) of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2012, 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

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	86-10-5986 8666
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

(I) Overview

The Group's financial position as at 30 June 2012 and the operating results for the six months ended 30 June 2012 are highlighted as follows:

- Revenue amounted to RMB106,845 million, representing a year-on-year increase of RMB1,007 million or 0.95% from RMB105,838 million for the same period of 2011.

- Loss amounted to RMB461 million for the six months ended 30 June 2012, while profit amounted to RMB2,285 million for the same period of 2011.

- Loss attributable to equity holders of the Company amounted to RMB186 million for the six months ended 30 June 2012, while profit attributable to equity holders of the Company amounted to RMB1,969 million for the same period of 2011.

- Basic loss per share amounted to RMB0.01 for the six months ended 30 June 2012, while basic earnings per share amounted to RMB0.10 for the same period of 2011.

- As at 30 June 2012, the total assets amounted to RMB348,172 million, representing an increase of RMB16,141 million or 4.86% from RMB332,031 million as at 31 December 2011.

- As at 30 June 2012, the total equity amounted to RMB57,778 million, representing a decrease of RMB397 million or 0.68% from RMB58,175 million as at 31 December 2011.

- Value of newly-signed contracts amounted to RMB123,612 million, representing a decrease of RMB42,101 million or 25.41% from RMB165,713 million over the same period of 2011, including USD1,625 million of newly-signed overseas contracts.

(II) 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**

  Revenue amounted to RMB88,620 million, representing an increase of RMB5,860 million or 7.08% from RMB82,760 million for the six months ended 30 June 2011.

- **Equipment manufacturing business**

  Revenue amounted to RMB6,053 million, representing a decrease of RMB720 million or 10.63% from RMB6,773 million for the six months ended 30 June 2011.

- **Resources development business**

  Revenue amounted to RMB3,764 million, representing a decrease of RMB2,852 million or 43.11% from RMB6,616 million for the six months ended 30 June 2011.

- **Property development business**

  Revenue amounted to RMB7,223 million, representing a decrease of RMB1,419 million or 16.42% from RMB8,642 million for the six months ended 30 June 2011.

- **Other businesses**

  Revenue amounted to RMB2,776 million, representing a decrease of RMB354 million or 11.31% from RMB3,130 million for the six months ended 30 June 2011.

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

III. MANAGEMENT DISCUSSION AND ANALYSIS

(I) OVERVIEW

For the six months ended 30 June 2012, the Group's revenue amounted to RMB106,845 million, representing an increase of 0.95% compared to the same period of last year. Loss attributable to equity holders of the Company amounted to RMB186 million. Basic loss per share for the six months ended 30 June 2012 was RMB0.01.

The following are the unaudited financial results of the Group for the six months ended 30 June 2012 compared to that for the six months ended 30 June 2011.

(II) UNAUDITED 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 2012, the revenue of the Group amounted to RMB106,845 million, representing an increase of RMB1,007 million or 0.95% compared to RMB105,838 million for the six months ended 30 June 2011. The increase was mainly attributable to the increase in segment revenue of engineering and construction of RMB5,860 million or 7.08% before elimination of inter-segment transaction. Segment revenues of equipment manufacturing, resources development, property development and other business segments have decreased by RMB720 million or 10.63%, RMB2,852 million or 43.11%, RMB1,419 million or 16.42% and RMB354 million or 11.31% respectively before elimination of inter-segment revenue.

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 2012, cost of sales of the Group amounted to RMB97,220 million, representing an increase of RMB1,260 million or 1.31% compared to RMB95,960 million for the six months ended 30 June 2011. The increase was mainly attributable to the rise in subcontracting cost and labour cost following the expansion of the Group's business.

For the six months ended 30 June 2012, the gross profit of the Group amounted to RMB9,625 million, representing a decrease of RMB253 million or 2.56% compared to RMB9,878 million for the six months ended 30 June 2011. Gross profit margin of the Group was 9.01% for the six months ended 30 June 2012, representing a decrease of 0.32% compared to 9.33% for the six months ended 30 June 2011.

For the six months ended 30 June 2012, all business segments of the Group, namely engineering and construction, equipment manufacturing, resources development, property development and other businesses, recorded a gross profit of RMB8,012 million, RMB410 million, RMB103 million, RMB1,018 million and RMB130 million respectively, and the gross profit margins were 9.04%, 6.77%, 2.74%, 14.09% and 4.68% respectively before elimination of inter-segment transactions.

3. Operating profit

For the six months ended 30 June 2012, the operating profit of the Group amounted to RMB2,587 million, representing a decrease of RMB2,151 million or 45.40% compared to RMB4,738 million for the six months ended 30 June 2011. The decrease was mainly attributable to the operating loss of RMB2,355 million of the resources development business of the Group for the six months ended 30 June 2012 compared to an operating profit of RMB854 million for the six months ended 30 June 2011. The equipment manufacturing business recorded an operating loss of RMB229 million for the six months ended 30 June 2012 compared to an operating loss of RMB7 million for the six moths ended 30 June 2011. The operating profit of the engineering and construction, property development and other businesses increased by RMB1,169 million or 35.56%, RMB112 million or 18.39% and RMB26 million or 31.33% respectively compared to the six months ended 30 June 2011 (all segments' data are before elimination of inter-segment transactions).

4. Finance income

The Group's finance income mainly consists 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 2012 amounted to RMB865 million, representing an increase of RMB280 million or 47.86% compared to RMB585 million for the six months ended 30 June 2011, mainly attributable to the significant increase in interest income arising from advances prepaid by the Group for BT projects during the period over the same period of last year.

5. *Finance costs*

The Group's finance costs mainly consists of interest expenses on bank borrowings and borrowings from other financial institutions 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 RMB962 million or 54.11% from RMB1,778 million for the six months ended 30 June 2011 to RMB2,740 million for the six months ended 30 June 2012, mainly attributable to the increase in the financial expenses following the expansion in borrowings scale.

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 2012, the Group's share of profits of associates was RMB5 million, representing a decrease of RMB17 million or 77.27% compared to RMB22 million for the six months ended 30 June 2011.

7. *Profit before income tax*

As a result of the foregoing, the Group's profit before income tax decreased by RMB2,850 million or 79.90% from RMB3,567 million for the six months ended 30 June 2011 to RMB717 million for the six months ended 30 June 2012, mainly attributable to the impairment provision of the Group's assets, such as exploration rights and equipments, and the increase of financial costs.

8. Income tax expense

For the six months ended 30 June 2012, the Group's income tax expense decreased by RMB104 million or 8.11% from RMB1,282 million for the six months ended 30 June 2011 to RMB1,178 million. For the six months ended 30 June 2012, the Group's effective tax rate was 164.30%, representing an increase of 128.36% compared to 35.94% for the six months ended 30 June 2011, it was mainly attributable to the increase in losses incurred by subsidiaries with unrecognized deferred tax assets for the six months ended 30 June 2012, given the fact that losses were incurred and based on the estimation that a turnaround to profit is impossible within the year prescribed for compensation of losses under the tax laws.

9. (Loss)/ profit attributable to non-controlling interests

(Loss)/ profit attributable to non-controlling interests represents the interests of external shareholders in the operating results of non-wholly owned subsidiaries of the Company. The loss attributable to non-controlling interests for the six months ended 30 June 2012 amounted to RMB275 million, while the profit attributable to non-controlling interests for the six months ended 30 June 2011 amounted to RMB316 million.

10. (Loss)/ profit attributable to equity holders of the Company

Based on the above, the loss attributable to equity holders of the Company amounted to RMB186 million for the six months ended 30 June 2012, while the profit attributable to equity holders of the Company amounted to RMB1,969 million for the six months ended 30 June 2011.

(III) 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 2012 and the six months ended 30 June 2011.

	Segment revenue		Gross profit		Gross profit margin		Segment result		Segment result margin(note)	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB million	*RMB million*	***RMB million***	*RMB million*	***%***	*%*	***RMB million***	*RMB million*	***%***	*%*
Engineering and construction	**88,620**	82,760	**8,012**	6,882	**9.04%**	8.32%	**4,456**	3,287	**5.03%**	3.97%
% of the total	**81.73%**	76.68%	**82.83%**	69.61%			**164.93%**	68.11%		
Equipment manufacturing	**6,053**	6,773	**410**	500	**6.77%**	7.38%	**(229)**	(7)	**-3.78%**	-0.10%
% of the total	**5.58%**	6.28%	**4.24%**	5.06%			**-8.48%**	-0.15%		
Resources development	**3,764**	6,616	**103**	1,401	**2.74%**	21.18%	**(2,355)**	854	**-62.57%**	12.91%
% of the total	**3.47%**	6.13%	**1.06%**	14.17%			**-87.16%**	17.70%		
Property development	**7,223**	8,642	**1,018**	982	**14.09%**	11.36%	**721**	609	**9.98%**	7.05%
% of the total	**6.66%**	8.01%	**10.52%**	9.93%			**26.68%**	12.62%		
Other businesses	**2,776**	3,130	**130**	122	**4.68%**	3.90%	**109**	83	**3.93%**	2.65%
% of the total	**2.56%**	2.90%	**1.35%**	1.23%			**4.03%**	1.72%		
Subtotal	**108,436**	107,921	**9,673**	9,887	**8.92%**	9.16%	**2,702**	4,826	**2.49%**	4.47%
Inter-segment elimination	**(1,591)**	(2,083)	**(48)**	(9)			**(48)**	(9)		
Total	**106,845**	105,838	**9,625**	9,878	**9.01%**	9.33%	**2,654**	4,817	**2.48%**	4.55%
Unallocated administrative expenses							**(67)**	(79)		
Total operating profit							**2,587**	4,738		

Note: Segment result margin represents a percentage of segment result over 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 profit or loss information for engineering and construction business for the six months ended 30 June 2012 and the six months ended 30 June 2011.

	For the six months ended 30 June	
	2012	2011
	(RMB million)	*(RMB million)*
Segment revenue	**88,620**	82,760
Cost of sales	**(80,608)**	(75,878)
Gross profit	**8,012**	6,882
Selling and marketing expenses	**(339)**	(356)
Administrative expenses	**(3,633)**	(3,615)
Other income and gains	**416**	376
Segment results	**4,456**	3,287
Depreciation and amortization	**720**	593

Segment revenue. Segment revenue from engineering and construction business increased by RMB5,860 million or 7.08% from RMB82,760 million for the six months ended 30 June 2011 to RMB88,620 million for the six months ended 30 June 2012. The increase was mainly attributable to the implementation of a large number of previously undertaken projects which were still ongoing and the undertaking 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 RMB4,730 million or 6.23% from RMB75,878 million for the six months ended 30 June 2011 to RMB80,608 million for the six months ended 30 June 2012. Percentage of cost of sales against segment revenue decreased to 90.96% for the six months ended 30 June 2012 from 91.68% for the six months ended 30 June 2011, mainly attributable to the tightening of cost control among all subsidiaries of the Company.

Gross profit of the engineering and construction business increased by RMB1,130 million or 16.42% from RMB6,882 million for the six months ended 30 June 2011 to RMB8,012 million for the six months ended 30 June 2012. Gross profit margin of engineering and construction business increased from 8.32% for the six months ended 30 June 2011 to 9.04% for the six months ended 30 June 2012. The increase was mainly attributable to the increase in contribution of income from projects with high gross profit margin. Meanwhile, facing the ever mounting market pressure arising from subcontracting costs, all subsidiaries of the Company have further strengthened their optimized control on costs.

Selling and marketing expenses. Selling and marketing expenses incurred for the engineering and construction business decreased by RMB17 million or 4.78% from RMB356 million for the six months ended 30 June 2011 to RMB339 million for the six months ended 30 June 2012.

Administrative expenses. Administrative expenses incurred for the engineering and construction business increased by RMB18 million or 0.50% from RMB3,615 million for the six months ended 30 June 2011 to RMB3,633 million for the six months ended 30 June 2012, mainly attributable to the rise in the labour cost and research and development expenses.

Other income and gains. Other income and gains from the engineering and construction business increased by RMB40 million or 10.64% from RMB376 million for the six months ended 30 June 2011 to RMB416 million for the six months ended 30 June 2012. This was mainly attributable to the increase in the gain from the disposal of fixed assets.

Segment results. Segment results of the engineering and construction business increased by RMB1,169 million or 35.56% from RMB3,287 million for the six months ended 30 June 2011 to RMB4,456 million for the six months ended 30 June 2012.

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 profit or loss information for equipment manufacturing business for the six months ended 30 June 2012 and the six months ended 30 June 2011.

	For the six months ended 30 June	
	2012	2011
	(RMB million)	*(RMB million)*
Segment revenue	**6,053**	6,773
Cost of sale	**(5,643)**	(6,273)
Gross profit	**410**	500
Selling and marketing expenses	**(133)**	(128)
Administrative expenses	**(596)**	(444)
Other income and gains	**90**	65
Segment results	**(229)**	(7)
Depreciation and amortization	**280**	256

Segment revenue. Segment revenue from the equipment manufacturing business decreased by RMB720 million or 10.63% from RMB6,773 million for the six months ended 30 June 2011 to RMB6,053 million for the six months ended 30 June 2012, mainly attributable to the substantial decrease of sales resulted from strategically suspended production of CERI Yingkou Equipment Development and Manufacturing Co., Ltd. (中冶京誠(營口)裝備技術有限公司), a subsidiary of the Company.

Cost of sales and gross profit. Cost of sales incurred from the equipment manufacturing business decreased by RMB630 million or 10.04% from RMB6,273 million for the six months ended 30 June 2011 to RMB5,643 million for the six months ended 30 June 2012. Percentage of cost of sales against segment revenue increased from 92.62% for the six months ended 30 June 2011 to 93.23% for the six months ended 30 June 2012.

Gross profit of the equipment manufacturing business decreased by RMB90 million or 18.00% from RMB500 million for the six months ended 30 June 2011 to RMB410 million for the six months ended 30 June 2012. Gross profit margin of the equipment manufacturing business decreased from 7.38% for the six months ended 30 June 2011 to 6.77% for the six months ended 30 June 2012, mainly attributable to the substantial increase in the cost of sales following the substantial inventory impairment provision accrued by the loss-generating enterprises.

Selling and marketing expenses. Selling and marketing expenses incurred for the equipment manufacturing business increased by RMB5 million or 3.91% from RMB128 million for the six months ended 30 June 2011 to RMB133 million for the six months ended 30 June 2012.

Administrative expenses. Administrative expenses incurred for the equipment manufacturing business increased by RMB152 million or 34.23% from RMB444 million for the six months ended 30 June 2011 to RMB596 million for the six months ended 30 June 2012, mainly attributable to the increase in expenses resulted from the suspension of production of CERI Yingkou Equipment Development and Manufacturing Co., Ltd. (中冶京誠(營口)裝備技術有限公司), a subsidiary of the Company.

Other income and gains. Other income and gains from the equipment manufacturing business increased by RMB25 million or 38.46% from RMB65 million for the six months ended 30 June 2011 to RMB90 million for the six months ended 30 June 2012.

Segment results. Segment results of the equipment manufacturing business recorded a loss of RMB229 million for the six months ended 30 June 2012 compared to the loss of RMB7 million for the six months ended 30 June 2011.

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 profit or loss information for resources development business for the six months ended 30 June 2012 and the six months ended 30 June 2011.

	For the six months ended 30 June	
	2012	2011
	(RMB million)	*(RMB million)*
Segment revenue	**3,764**	6,616
Cost of sales	**(3,661)**	(5,215)
Gross profit	**103**	1,401
Sales and marketing expenses	**(90)**	(123)
Administrative expenses	**(2,363)**	(450)
Other (expenses)/ income and gains	**(5)**	26
Segment results	**(2,355)**	854
Depreciation and amortization	**331**	305

Segment revenue. Segment revenue from resources development business decreased by RMB2,852 million or 43.11% from RMB6,616 million for the six months ended 30 June 2011 to RMB3,764 million for the six months ended 30 June 2012, mainly attributable to the decrease of sales volume and price in the market.

Cost of sales and gross profit. Cost of sales incurred from resources development business decreased by RMB1,554 million or 29.80% from RMB5,215 million for the six months ended 30 June 2011 to RMB3,661 million for the six months ended 30 June 2012. Percentage of the cost of sales against segment revenue increased from 78.82% for the six months ended 30 June 2011 to 97.26% for the six months ended 30 June 2012, which was caused by the fact that the fall in sales prices exceeded the fall in costs, despite the great efforts of the Group exerted in minimizing the cost.

Gross profit of the resources development business decreased by RMB1,298 million or 92.65% from RMB1,401 million for the six months ended 30 June 2011 to RMB103 million for the six months ended 30 June 2012. Gross profit margin of the resources development business decreased from 21.18% for the six months ended 30 June 2011 to 2.74% for the six months ended 30 June 2012, mainly attributable to a number of the Company's subsidiaries, which were engaged in resources development, made lower gross profit margin or even negative gross profit resulted from decrease in sales volume and selling price.

Selling and marketing expenses. Selling and marketing expenses incurred for the resources development business decreased by RMB33 million or 26.83% from RMB123 million for the six months ended 30 June 2011 to RMB90 million for the six months ended 30 June 2012.

Administrative expenses. Administrative expenses incurred for the resources development business increased by RMB1,913 million or 425.11% from RMB450 million for the six months ended 30 June 2011 to RMB2,363 million for the six months ended 30 June 2012, mainly attributable to the provision for impairment of exploration rights accrued by MCC Australia Holding Pty Ltd. (中冶澳大利亞控股有限公司), a subsidiary of the Company. Meanwhile, the increase in expenses resulted from the suspension of production and in impairment provision accrued on long-lived assets of MCC Huludao Nonferrous Metals Group Co., Ltd., (中冶葫蘆島有色金屬集團有限公司), a subsidiary of the Company, was another reason for the increase in administrative expenses.

Other (expenses)/ income and gains. Other expenses from the resources development business for the six months ended 30 June 2012 reached RMB5 million and other income and gains for the six months ended 30 June 2011 recorded RMB26 million.

Segment results. Segment results of the resources development business recorded a loss of RMB2,355 million for the six months ended 30 June 2012, while a profit of RMB854 million was recorded for the six months ended 30 June 2011. The loss arisen for the six months ended 30 June 2012 was mainly attributable to a number of subsidiaries engaging in resources development, recorded lower gross profit margin or even negative gross profit resulted from decrease in sales volume and selling price. Meanwhile, the provision for impairment of exploration rights accrued by MCC Australia Holding Pty Ltd. (中冶澳大利亞控股有限公司) a subsidiary of the Company, was another reason for the loss.

4. Property development

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 profit or loss information for the property development business for the six months ended 30 June 2012 and the six months ended 30 June 2011.

	For the six months ended 30 June	
	2012	2011
	(RMB million)	*(RMB million)*
Segment revenue	**7,223**	8,642
Cost of sales	**(6,205)**	(7,660)
Gross profit	**1,018**	982
Selling and marketing expenses	**(108)**	(204)
Administrative expenses	**(227)**	(240)
Other income and gains	**38**	71
Segment results	**721**	609
Depreciation and amortization	**20**	24

Segment revenue. Segment revenue from the property development business decreased by RMB1,419 million or 16.42% from RMB8,642 million for the six months ended 30 June 2011 to RMB7,223 million for the six months ended 30 June 2012, which was mainly caused by the fact that some of the Company's subsidiaries slowed down the working progress of certain municipal projects due to the financing pressure for the six months ended 30 June 2012. Meanwhile, some of the welfare housing construction projects are close to completion, thus reducing the Group's segment revenue for the six months ended 30 June 2012.

Cost of sales and gross profit. Cost of sales incurred from the property development business decreased by RMB1,455 million or 18.99% from RMB7,660 million for the six months ended 30 June 2011 to RMB6,205 million for the six months ended 30 June 2012. Percentage of the cost of sales against segment revenue decreased from 88.64% for the six months ended 30 June 2011 to 85.91% for the six months ended 30 June 2012.

Gross profit of the property development business increased by RMB36 million or 3.67% from RMB982 million for the six months ended 30 June 2011 to RMB1,018 million for the six months ended 30 June 2012. The Group's gross profit margin of the property development business increased from 11.36% for the six months ended 30 June 2011 to 14.09% for the six months ended 30 June 2012, mainly attributable to the increase in the contribution of revenue from certain projects with higher gross profit margins.

Selling and marketing expenses. Selling and marketing expenses incurred for the property development business decreased by RMB96 million or 47.06% from RMB204 million for the six months ended 30 June 2011 to RMB108 million for the six months ended 30 June 2012.

Administrative expenses. Administrative expenses incurred for the property development business decreased by RMB13 million or 5.42% from RMB240 million for the six months ended 30 June 2011 to RMB227 million for the six months ended 30 June 2012.

Other income and gains. Other income and gains from the property development business for the six months ended 30 June 2012 amounted to RMB38 million, representing a decrease of RMB33 million or 46.48% from RMB71 million for the six months ended 30 June 2011.

Segment results. Segment results of property development business increased by RMB112 million or 18.39% from RMB609 million for the six months ended 30 June 2011 to RMB721 million for the six months ended 30 June 2012, mainly attributable to the increase in revenue contribution from projects with higher gross profit margin.

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 profit or loss information for other businesses for the six months ended 30 June 2012 and the six months ended 30 June 2011.

	For the six months ended 30 June	
	2012	2011
	(RMB million)	*(RMB million)*
Segment revenue	**2,776**	3,130
Cost of sales	**(2,646)**	(3,008)
Gross profit	**130**	122
Selling and marketing expenses	**(41)**	(33)
Administrative expenses	**(35)**	(27)
Other income and gains	**55**	21
Segment results	**109**	83
Depreciation and amortization	**25**	22

Segment revenue. Segment revenue from the other businesses decreased by RMB354 million or 11.31% from RMB3,130 million for the six months ended 30 June 2011 to RMB2,776 million for the six months ended 30 June 2012. Segment revenue from the other businesses is substantially derived from imports and exports trading. The revenue decrease was mainly attributable to the market influence which led to a decrease in trade volume.

Cost of sales and gross profit. Cost of sales incurred from the other businesses decreased by RMB362 million or 12.03% from RMB3,008 million for the six months ended 30 June 2011 to RMB2,646 million for the six months ended 30 June 2012. Percentage of the cost of sales against segment revenue decreased from 96.10% for the six months ended 30 June 2011 to 95.32% for the six months ended 30 June 2012.

Gross profit of the other businesses increased by RMB8 million or 6.56% from RMB122 million for the six months ended 30 June 2011 to RMB130 million for the six months ended 30 June 2012. Gross profit margin of the other businesses increased from 3.90% for the six months ended 30 June 2011 to 4.68% for the six months ended 30 June 2012, which is mainly attributable to the fact that some trading companies of the Company with higher revenue contributions took advantage of the market fluctuation via the practice of buying low and selling high, which resulted in the slight growth in the gross profit margin.

Selling and marketing expenses. Selling and marketing expenses incurred for the other businesses increased by RMB8 million or 24.24% from RMB33 million for the six months ended 30 June 2011 to RMB41 million for the six months ended 30 June 2012.

Administrative expenses. Administrative expenses incurred for the other businesses increased by RMB8 million or 29.63% from RMB27 million for the six months ended 30 June 2011 to RMB35 million for the six months ended 30 June 2012.

Other income and gains. Other income and gains of the other businesses increased by RMB34 million or 161.90% from RMB21 million for the six months ended 30 June 2011 to RMB55 million for the six months ended 30 June 2012.

Segment results. Segment results of the other businesses increased by RMB26 million or 31.33% from RMB83 million for the six months ended 30 June 2011 to RMB109 million for the six months ended 30 June 2012.

(IV) 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 liquidity requirements involve primarily our working capital needs, purchases of property, plant and equipment, and its debt repayment.

The Group has historically met its 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 enhanced its financing flexibility in the financial markets.

1. *Information on cash flow*

The following cash flows information is extracted from the unaudited interim condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2012 and the six months ended 30 June 2011.

	For the six months ended 30 June	
	2012	2011
	(RMB million)	*(RMB million)*
Net cash used in operating activities	**(9,171)**	(13,500)
Net cash used in investing activities	**(2,440)**	(4,173)
Net cash generated from financing activities	**2,505**	15,267
Net decrease in cash and cash equivalents	**(9,106)**	(2,406)
Cash and cash equivalents at the beginning of the period	**42,721**	39,302
Exchange (losses)/ gains on cash and cash equivalents	**(9)**	8
Cash and cash equivalents at the end of the period	**33,606**	36,904

2. *Cash flows from operating activities*

For the six months ended 30 June 2012, the Group's net cash used in operating activities amounted to RMB9,171 million compared to net cash used in operating activities of RMB13,500 million for the six months ended 30 June 2011. The decrease of RMB4,329 million in net cash used in operating activities was mainly due to the fact that the decrease in cash from sales of commodities and provision of labour is lower than the decrease in cash paid for procurement of commodities and acceptance of services. However, as the BT projects like welfare housing and roads and bridges construction required the Group to make advances in the process of the project implementation, the net cash flow from operating activities remained negative, even though the Group strengthened its management over funding.

3. *Cash flows from investing activities*

For the six months ended 30 June 2012, the Group's net cash used in investing activities amounted to RMB2,440 million compared to RMB4,173 million for the six months ended 30 June 2011. The net cash flow used in investing activities decreased by RMB1,733 million, which was mainly due to the scaling down in the purchase and construction of fixed assets and intangible assets for the six months ended 30 June 2012.

4. *Cash flows from financing activities*

For the six months ended 30 June 2012, the Group's net cash generated from financing activities amounted to RMB2,505 million, representing a decrease of RMB12,762 million from RMB15,267 million for the six months ended 30 June 2011, which was mainly attributable to the substantial increase in the payment of debts and interests.

5. *Capital expenditures*

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

The following table sets forth the capital expenditures of the Group by business for the six months ended 30 June 2012 and the six months ended 30 June 2011.

	For the six months ended 30 June	
	2012	2011
	(RMB million)	*(RMB million)*
Engineering and construction business	**1,290**	1,585
Equipment manufacturing business	**517**	1,046
Resources development business	**1,358**	1,714
Property development business	**12**	31
Other businesses	**10**	6
Total	**3,187**	4,382

The Group's capital expenditures for the six months ended 30 June 2012 amounted to RMB3,187 million, representing a decrease of RMB1,195 million or 27.27% from RMB4,382 million for the six months ended 30 June 2011.

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 2012 and for the twelve months ended 31 December 2011.

	For the six months ended 30 June 2012 *days*	For the twelve months ended 31 December 2011 *days*
The turnover days of the average trade receivables *(Note 1)*	**147**	113
The turnover days of the average trade payables *(Note 2)*	**121**	106

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 2012 and 31 December 2011.

	As at 30 June 2012 ***(RMB million)***	As at 31 December 2011 *(RMB million)*
Less than one year	**66,217**	59,659
One to two years	**19,612**	15,102
Two to three years	**4,807**	3,108
Three to four years	**1,732**	1,213
Four to five years	**585**	721
Over five years	**986**	739
Total	**93,939**	80,542

As at 30 June 2012, the Group's trade receivables of all ages, except for the range of four to five years, represented an increase compared to those as at 31 December 2011, mainly due to BT projects such as roads and bridges, public facilities and welfare housing carried out by the Company's subsidiaries in the past two years through cooperation with governments, which usually required the Company to make advances, thus leading to an increase in the Group's trade receivables compared to the end of the previous year.

The following table sets forth the aging analysis of trade payables as at 30 June 2012 and 31 December 2011.

	As at 30 June 2012 *(RMB million)*	As at 31 December 2011 *(RMB million)*
Less than one year	**53,018**	46,958
One to two years	**9,735**	9,060
Two to three years	**3,308**	2,821
Over three years	**2,980**	2,470
Total	**69,041**	61,309

7. Retentions

The following table sets forth the book value of retentions as at 30 June 2012 and 31 December 2011.

	As at 30 June 2012 *(RMB million)*	As at 31 December 2011 *(RMB million)*
Current portion	**1,986**	1,815
Non-current portion	**279**	278
Total	**2,265**	2,093

8. Assets-liabilities ratio

The following table sets forth the assets-liabilities ratio of the Group as at 30 June 2012 and 31 December 2011.

	As at 30 June 2012 ***(RMB million)***	As at 31 December 2011 *(RMB million)*
Total liabilities	**290,394**	273,856
Total assets	**348,172**	332,031
Assets-liabilities ratio	**83.41%**	82.48%

9. Gearing ratio

The following table sets forth the gearing ratio of the Group as at 30 June 2012 and 31 December 2011.

	As at 30 June 2012 ***(RMB million)***	As at 31 December 2011 *(RMB million)*
Total borrowings	**143,481**	137,161
Less: Cash and cash equivalents	**(33,606)**	(42,721)
Net debt	**109,875**	94,440
Total equity	**57,778**	58,175
Total capital	**167,653**	152,615
Gearing ratio	**66%**	62%

This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

(V) INDEBTEDNESS

1. *Borrowings*

The following table sets forth the Group's total borrowings as at 30 June 2012 and 31 December 2011.

	As at 30 June 2012 *(RMB million)*	As at 31 December 2011 *(RMB million)*
Non-current		
Long-term bank borrowings		
— Secured *(Note 1)*	**10,255**	6,200
— Unsecured	**20,883**	24,634
	31,138	30,834
Other long-term borrowings		
— Secured *(Note 1)*	**75**	75
— Unsecured	**11**	212
— Debentures *(Note 2(i))*	**21,416**	21,364
	21,502	21,651
Total non-current borrowings	**52,640**	52,485
Current		
Short-term bank borrowings		
— Secured *(Note 1)*	**3,452**	2,824
— Unsecured	**41,632**	42,171
	45,084	44,995

	As at 30 June 2012 (RMB million)	As at 31 December 2011 (RMB million)
Other short-term borrowings		
— Secured *(Note 1)*	**1,315**	1,315
— Unsecured	**5,094**	5,200
— Debentures *(Note 2(ii))*	**21,400**	17,000
	27,809	23,515
Current portion of long-term bank borrowings		
— Secured *(Note 1)*	**2,266**	2,274
— Unsecured	**9,382**	7,292
	11,648	9,566
Current portion of other long-term borrowings		
— Unsecured	**6,300**	6,600
	6,300	6,600
Total current borrowings	**90,841**	84,676
Total borrowings	**143,481**	137,161

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

Note 2: (i) As approved by the National Development and Reform Commission, the Company has issued 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 Company issued its Tranche I Medium-Term Notes ("MTN") on 19 September 2010 at a discounted price of RMB9,982 million with a par value of RMB10,000 million, a maturity of ten years from issuance and interest rate of 3.95% per annum and with the issuer's redemption rights at the end of the fifth year. If the Company 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 Company issued its Tranche II MTN on 15 November 2010 at a discounted price of RMB4,686 million with a par value of RMB4,700 million, a maturity of five years from issuance and interest rate of 4.72% per annum.

MCC Holding (Hong Kong) Co., Ltd., a subsidiary of the Company, issued US dollar debentures on 29 July 2011 at a discount to par value of US dollar 497 million, the aggregate principal amount is US dollar 500 million, with a maturity of five years from issuance. The debentures bear interests at a rate of 4.875% per annum. Interest will be paid every half year and principal will be paid upon maturity date. The debentures are guaranteed by the Parent.

(ii) As approved by the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Short-Term Debentures on 3 August 2011 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 5.71% per annum. Principal and interests are paid upon maturity date.

As approved by the National Association of Financial Market Institutional Investors, the Company issued its Tranche II Short-Term Debentures on 30 August 2011 at par value of RMB3,000 million, with a maturity of one year from issuance. The debentures are unsecured and bear interests at a rate of 5.78% per annum. Principal and interests are paid upon maturity date.

As approved by the National Association of Financial Market Institutional Investors, the Company issued its Tranche III Short-Term Debentures on 12 October 2011 at par value of RMB10,000 million, with a maturity of one year from issuance. The debentures were unsecured and bear interests at a rate of 6.12% per annum. Principal and interests are paid upon maturity date.

The Company issued its Tranche I Short-Term Debentures on 10 April 2012 at par value of RMB4,400 million, with a maturity of one year from issuance. The debentures are unsecured, and bear interests at a fixed rate of 4.46% per annum, Principal and interests are paid upon maturity date.

Note 3: As at 30 June 2012, there are no significant overdue short-term borrowings of the Group. Due to tight liquidity of one subsidiary of the Group, short-term borrowings amounted to RMB331 million and bank acceptance bill amounted to RMB41 million are overdue after reporting period, including secured borrowings amounted to RMB190 million, which are secured by land use rights with a carrying amount of RMB307 million. At the date of approval of condensed consolidated interim financial information, the Group has been negotiating with related banks to find appropriate solutions. Compulsory execution procedures such as disposal of secured assets have not been involved yet.

2. Financial Guarantee

The nominal values of the financial guarantees issued by the Group as at 30 June 2012 and 31 December 2011 are set out as below:

	As at 30 June 2012 *(RMB million)*	As at 31 December 2011 *(RMB million)*
Outstanding guarantees *(Note)*		
— Third parties	**234**	234
— Related parties	**140**	11
	374	245

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

The Group considers that the repayment of loans secured by the Group are on schedule and risk of default in payment was remote. Therefore no provision has been made in the interim financial information for the guarantees.

3. Contingencies

	As at 30 June 2012	As at 31 December 2011
	(RMB million)	*(RMB million)*
Pending lawsuits/arbitrations	**819**	706

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. The balance is the maximum exposure of pending lawsuits that the Group is claimed as defendants. Provision indicated 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 pending lawsuits since management believes the outflow of resources is not probable.

(VI) MARKET RISKS

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

1. Foreign exchange risks

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 foreign currency denominated transactions arising from the Group's foreign operations, sales and purchases of machinery and equipment to and 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 United States Dollars ("US dollar"), Australian Dollar ("AUD") and European Dollar ("EUR").

To monitor the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. The Group currently does not have a foreign exchange hedging policy. However, management is responsible for monitoring foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arise.

As at 30 June 2012, if RMB had strengthened/weakened by 5% (30 June 2011: 5%) against US dollar, AUD, EUR and other foreign currencies with all other variables held constant, which were considered reasonably possible by management, the profit after tax for the six months ended 30 June 2012 would have been approximately RMB370 million higher/lower (for the six months ended 30 June 2011:RMB78 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of US dollar, AUD, EUR and other foreign currencies denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

2. *Interest rate risks*

The Group's exposure to interest rate risks relates principally to its restricted cash, cash and cash equivalents, trade and other receivables, trade and other payables and borrowings. Restricted cash, cash and cash equivalents, and borrowings at variable rates expose the Group to cash flow interest-rate risks, and those restricted cash, cash, cash equivalents and borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 30 June 2012, approximately RMB310 million (31 December 2011: RMB498 million) of the Group's restricted cash, approximately RMB448 million (31 December 2011: RMB503 million) of the Group's cash and cash equivalents and approximately RMB59,842 million (31 December 2011: RMB54,658 million) of the Group's borrowings were at fixed rates.

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

Management has used 100 basis points to illustrate the sensitivity as the fluctuation in interest rate is unpredictable.

As at 30 June 2012, if the respective interest rates on RMB-denominated borrowings and US dollar and other currency-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, which was considered reasonably possible by management, profit after income tax for the six months ended 30 June 2012 would have been RMB176 million lower/higher and RMB31 million lower/higher respectively (For the six months ended 30 June 2011: RMB233 million and RMB15 million lower/higher), mainly as a result of higher/lower interest expenses on bank borrowings and trade and other payables.

3. *Credit risks*

The carrying amounts of cash and cash equivalents, restricted cash, held-to-maturity financial assets, trade and other receivables (except for the book value of prepayment and staff advances), and the nominal value of the guarantees provided on liabilities represent the Group's main exposure to credit risks in relation to 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 cash at bank, bank deposits, restricted cash and held-to-maturity financial assets of the Group that were fully performing has been renegotiated during the year.

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 collaterals from trade debtors. The directors consider the Group does not have a significant concentration of credit risk. No single customer accounted for more than 5% of the Group's total revenues for the six months ended 30 June 2012.

4. Liquidity risks

Prudent liquidity risk management by the management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available. The Group finances its working capital requirements through funds generated from operations and bank and other borrowings.

Generally there is no specific credit period granted by the suppliers but the related trade payables are normally expected to be settled within one year after receipt of goods or services.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year *(RMB million)*	**Between 1 and 2 years** *(RMB million)*	**Between 2 and 5 years** *(RMB million)*	**Over 5 years** *(RMB million)*	**Total** *(RMB million)*
As at 30 June 2012					
Borrowings	97,699	16,760	23,153	25,849	163,461
Trade and other payables	86,018	333	—	—	86,351
	183,717	17,093	23,153	25,849	249,812
As at 31 December 2011					
Borrowings	85,659	13,467	23,682	25,349	148,157
Trade and other payables	74,622	357	—	—	74,979
	160,281	13,824	23,682	25,349	223,136

IV. UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2012** *RMB 'million* **Unaudited**	31 December 2011 *RMB 'million* Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**42,687**	42,533
Land use rights		**7,940**	8,195
Mining rights	15	**3,508**	5,025
Investment properties		**1,085**	978
Intangible assets		**7,105**	6,992
Investments in associates		**2,322**	1,980
Available-for-sale financial assets	14	**1,564**	1,479
Deferred income tax assets		**2,627**	2,592
Trade and other receivables	11	**28,642**	22,239
Other non-current assets		**234**	334
Total non-current assets		**97,714**	92,347
Current assets			
Inventories		**14,148**	13,896
Properties under development		**61,144**	54,844
Completed properties held for sale		**3,720**	4,277
Trade and other receivables	11	**98,068**	87,880
Amounts due from customers for contract work		**36,871**	33,104
Available-for-sale financial assets	14	**—**	50
Financial assets at fair value through profit or loss		**1**	352
Restricted cash		**2,900**	2,560
Cash and cash equivalents		**33,606**	42,721
Total current assets		**250,458**	239,684
Total assets		**348,172**	332,031

IV. UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(CONTINUED)*

	Note	**30 June 2012** *RMB 'million* **Unaudited**	31 December 2011 *RMB 'million* Audited
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**19,110**	19,110
Reserves		**28,852**	29,093
— Proposed dividend		**—**	—
— Other reserves		**28,852**	29,093
		47,962	48,203
Non-controlling interests		**9,816**	9,972
Total equity		**57,778**	58,175
LIABILITIES			
Non-current liabilities			
Borrowings	13	**52,640**	52,485
Deferred income		**1,617**	1,636
Retirement and other supplemental benefit obligations		**5,284**	5,405
Provisions for other liabilities and charges		**81**	79
Trade and other payables	12	**333**	357
Deferred income tax liabilities		**538**	524
Total non-current liabilities		**60,493**	60,486

IV. UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(CONTINUED)*

	Note	**30 June 2012** *RMB 'million* **Unaudited**	31 December 2011 *RMB 'million* Audited
Current liabilities			
Trade and other payables	12	**126,148**	114,773
Amounts due to customers for contract work		**11,398**	11,825
Current income tax liabilities		**962**	1,464
Borrowings	13	**90,841**	84,676
Retirement and other supplemental benefit obligations		**552**	632
Total current liabilities		**229,901**	213,370
Total liabilities		**290,394**	273,856
Total equity and liabilities		**348,172**	332,031
Net current assets		**20,557**	26,314
Total assets less current liabilities		**118,271**	118,661

V. UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2012	2011
	Note	***RMB 'million***	*RMB 'million*
		Unaudited	Unaudited
Revenue	4	**106,845**	105,838
Cost of sales	6	**(97,220)**	(95,960)
Gross profit		**9,625**	9,878
Selling and marketing expenses	6	**(711)**	(844)
Administrative expenses	6	**(6,921)**	(4,855)
Other income		**427**	538
Other gains - net	7	**231**	142
Other expenses		**(64)**	(121)
Operating profit		**2,587**	4,738
Finance income	5	**865**	585
Finance costs	5	**(2,740)**	(1,778)
Share of profits of associates		**5**	22
Profit before income tax		**717**	3,567
Income tax expense	8	**(1,178)**	(1,282)
(Loss)/profit for the period		**(461)**	2,285

V. UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

		Six months ended 30 June	
		2012	2011
	Note	***RMB 'million***	*RMB 'million*
		Unaudited	Unaudited
(Loss)/profit attributable to:			
Equity holders of the Company		**(186)**	1,969
Non-controlling interests		**(275)**	316
		(461)	2,285
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company			
— Basic (loss)/earnings per share *(RMB)*	10	**(0.01)**	0.10
— Diluted (loss)/earnings per share *(RMB)*	10	**(0.01)**	0.10
Dividends	9	**—**	—

VI. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	RMB 'million	*RMB 'million*
	Unaudited	Unaudited
(Loss)/profit for the period	**(461)**	2,285
Other comprehensive loss:		
Fair value losses on available-for-sale financial assets, net of tax	**(15)**	(70)
Currency translation differences	**(45)**	(66)
Other comprehensive loss for the period, net of tax	**(60)**	(136)
Total comprehensive (loss)/income for the period	**(521)**	2,149
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(248)**	1,839
Non-controlling interests	**(273)**	310
	(521)	2,149

VII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company						
Unaudited	*Note*	**Share capital** *RMB 'million*	**Capital premium** *RMB 'million*	**Other reserves** *RMB 'million*	**Retained earnings** *RMB 'million*	**Sub total** *RMB 'million*	**Non-controlling interests** *RMB 'million*	**Total** *RMB 'million*
As at 1 January 2012		19,110	17,948	195	10,950	48,203	9,972	58,175
Loss for the period		—	—	—	(186)	(186)	(275)	(461)
Other comprehensive (loss)/income:								
Fair value (losses)/gains on available-for-sale financial assets, net of tax		—	—	(18)	—	(18)	3	(15)
Currency translation differences		—	—	(44)	—	(44)	(1)	(45)
Total comprehensive loss for the period		—	—	(62)	(186)	(248)	(273)	(521)
Transactions with owners								
Dividends	9	—	—	—	—	—	(51)	(51)
Transaction with non-controlling interests		—	—	7	—	7	(37)	(30)
Attributable to set-up of subsidiaries		—	—	—	—	—	18	18
Additional capital injection from owners and non-controlling interest proportionally		—	—	—	—	—	370	370
Liquidation/disposal of subsidiaries		—	—	—	—	—	(183)	(183)
Total transactions with owners		—	—	7	—	7	117	124
As at 30 June 2012		19,110	17,948	140	10,764	47,962	9,816	57,778

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

		Attributable to equity holders of the Company						
Unaudited	*Note*	Share capital *RMB 'million*	Capital premium *RMB 'million*	Other reserves *RMB 'million*	Retained earnings *RMB 'million*	Sub total *RMB 'million*	Non-controlling interests *RMB 'million*	Total *RMB 'million*
As at 1 January 2011		19,110	17,948	308	7,605	44,971	8,541	53,512
Profit for the period		—	—	—	1,969	1,969	316	2,285
Other comprehensive loss:								
Fair value losses on available-for-sale financial assets, net of tax		—	—	(70)	—	(70)	—	(70)
Currency translation differences		—	—	(60)	—	(60)	(6)	(66)
Total comprehensive (loss)/income for the period		—	—	(130)	1,969	1,839	310	2,149
Transactions with owners								
Dividends	9	—	—	—	(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 interests proportionally		—	—	—	—	—	272	272
Total transactions with owners		—	—	101	(898)	(797)	631	(166)
As at 30 June 2011		19,110	17,948	279	8,676	46,013	9,482	55,495

VIII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2012	2011
	RMB 'million	*RMB 'million*
	Unaudited	Unaudited
Cash flows from operating activities		
Cash used in operations	**(7,460)**	(11,279)
Income tax paid	**(1,711)**	(2,221)
Net cash used in operating activities	**(9,171)**	(13,500)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(2,048)**	(3,208)
Purchases of land use rights	**(23)**	(169)
Purchases of mining rights	**(331)**	(424)
Purchases of investment properties	**(5)**	—
Purchases of intangible assets	**(176)**	(331)
Purchases of available-for-sale financial assets	**—**	(253)
Increase in investment in associates	**(1)**	(166)
Net cash outflow for acquisition of subsidiaries	**—**	(26)
Entrusted loans and other amount paid to related parties and third parties	**(169)**	(481)
Proceeds from disposal of property, plant and equipment	**142**	118
Proceeds from disposal of land use rights	**3**	15
Proceeds from disposal of mining rights	**—**	8
Proceeds from disposal of investment properties	**1**	23
Proceeds from disposal of intangible assets	**13**	11
Proceeds from disposal of available-for-sale financial assets	**55**	527
Net cash inflow from disposal of investment in associates	**30**	—
Net cash outflow for disposal of subsidiaries	**(26)**	—
Acquisition of non-controlling interests	**—**	(10)
Dividends received	**20**	28
Net cash inflow from government grants related to assets	**75**	165
Net cash used in investing activities	**(2,440)**	(4,173)

VIII. UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

	Six months ended 30 June	
	2012	2011
	RMB 'million	*RMB 'million*
	Unaudited	Unaudited
Cash flows from financing activities		
Proceeds from borrowings	**46,378**	42,003
Repayments of borrowings	**(39,863)**	(25,346)
Contribution received from non-controlling interests	**336**	819
Dividends paid	**(103)**	(89)
Interest paid	**(3,878)**	(2,166)
Changes in restricted cash	**(352)**	47
Net cash outflow from finance leases	**(13)**	(1)
Net cash generated from financing activities	**2,505**	15,267
Net decrease in cash and cash equivalents	**(9,106)**	(2,406)
Cash and cash equivalents at beginning of the period	**42,721**	39,302
Exchange (losses)/gains on cash and cash equivalents	**(9)**	8
Cash and cash equivalents at end of the period	**33,606**	36,904

IX. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

(a) Metallurgical Corporation of China Ltd. (the "Company") was established in the People's Republic of China (the "PRC" or "China") on 1 December 2008. The A shares of the Company were listed on the Shanghai Stock Exchange on 21 September 2009, and the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on 24 September 2009. The address of the Company's registered office 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 State-owned Assets Supervision and Administration Commission of the State Council ("SASAC").

(b) The Company and its subsidiaries (the "Group") are principally engaged in following activities:

- Provision of engineering, construction and other related contracting services for metallurgical and non-metallurgical projects ("engineering and construction activities");

- Development and production of metallurgical equipment, steel structures and other metal products ("equipment manufacturing");

- Development, mining and processing of mineral resources and the production of nonferrous metal and polysilicon ("resources development"); and

- Development and sale of residential and commercial properties, affordable housing and primary land development ("property 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 Renminbi ("RMB"), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with International accounting standard 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 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

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 other businesses including the trading for import and export. 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 consist primarily of property, plant and equipment, land use rights, mining rights, investment properties, intangible assets, inventories, properties under development, completed properties held for sale, amounts due from customers for contract work, trade and other receivables, restricted cash and cash and cash equivalents. Unallocated assets comprise deferred income tax assets, available-for-sale financial assets and financial assets at fair value through profit or loss.

Segment liabilities comprise operating liabilities and borrowings. Unallocated liabilities are deferred income tax liabilities.

Additions to non-current assets comprises additions to property, plant and equipment, land use rights, mining rights, investment properties, intangible assets, investment in associates and other non-current assets.

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

4. Segment information *(Continued)*

(a) For the six months ended 30 June 2012:

The segment results for the six months ended 30 June 2012 are as follows:

Unaudited	**Engineering and construction** *RMB'million*	**Equipment manufacturing** *RMB'million*	**Resources development** *RMB'million*	**Property development** *RMB'million*	**Others** *RMB'million*	**Elimination** *RMB'million*	**Total** *RMB'million*
Segment revenue	88,620	6,053	3,764	7,223	2,776	(1,591)	106,845
Inter-segment revenue	(1,223)	(255)	(94)	—	(19)	1,591	—
Revenue	87,397	5,798	3,670	7,223	2,757	—	106,845
Segment result	4,456	(229)	(2,355)	721	109	(48)	2,654
Unallocated costs							(67)
Operating profit							2,587
Finance income	677	19	20	169	275	(295)	865
Interest income	675	19	20	169	275	(295)	863
Other finance income	2	—	—	—	—	—	2
Finance costs	(2,062)	(164)	(530)	(78)	(201)	295	(2,740)
Interest expense	(2,049)	(161)	(445)	(78)	(200)	295	(2,638)
Other finance costs	(13)	(3)	(85)	—	(1)	—	(102)
Share of (loss)/profit of associates	(4)	10	—	(1)	—	—	5
Profit before income tax							717
Income tax expense	(754)	(20)	57	(407)	(54)	—	(1,178)
Loss for the period							(461)

4. Segment information *(Continued)*

(a) For the six months ended 30 June 2012 *(Continued)*:

(i) As at 30 June 2012, the outcome of certain construction contracts being undertaken by the Group cannot be estimated reliably due to the uncertainties surrounding the contract values, which will depend on various factors including the results of special purpose audits to be undertaken on the contract costs and the negotiations upon completion of such contracts. The aggregate contract values of these construction contracts did not exceed 5% of the total contract values of all construction contracts in progress. The Group estimates that, as at 30 June 2012, the remaining costs to be incurred to complete these contracts amounted to approximately RMB4,072 million. Despite the uncertainties surrounding the contract values depending on the results of future special purpose audits or the negotiations, based on its assessment, the Group believes that the contract costs incurred and the estimated costs to complete these contracts are recoverable. Accordingly, the Group has recognised revenue from these contracts to the extent of costs incurred without recognising any profit margin, and no provision for foreseeable losses has been made. The Group will continue to monitor the developments including the results of the future special purpose audits and status of the negotiations. In cases when certain contract costs become unrecoverable or when it is probable that the total contract costs will exceed total contract values, a loss will be recognised immediately. When the uncertainties that prevented the outcome of the contracts being estimated reliably no longer exist, revenue, costs and gross profits associated with those construction contracts will then be recognised by reference to the stage of completion of the contract activity.

4. Segment information *(Continued)*

(a) For the six months ended 30 June 2012 *(Continued)*:

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

Unaudited	Engineering and construction *RMB'million*	Equipment manufacturing *RMB'million*	Resources development *RMB'million*	Property development *RMB'million*	Others *RMB'million*	Total *RMB'million*
Depreciation	613	261	301	19	12	1,206
Amortisation	107	19	30	1	13	170
Provision for impairment of property, plant and equipment	—	23	74	—	—	97
Provision for impairment of inventories	1	80	216	—	—	297
Provision for impairment of mining rights	—	—	1,809	—	—	1,809
Foreseeable losses on construction contracts	31	—	—	—	—	31
Provision for impairment on trade and other receivables	520	32	5	4	1	562

4. Segment information *(Continued)*

(b) As at 30 June 2012:

The segment assets and liabilities as at 30 June 2012 are as follows:

Unaudited	**Engineering and construction** *RMB'million*	**Equipment manufacturing** *RMB'million*	**Resources development** *RMB'million*	**Property development** *RMB'million*	**Others** *RMB'million*	**Elimination** *RMB'million*	**Total** *RMB'million*
Assets							
Segment assets	214,257	23,160	34,218	106,767	16,503	(53,247)	341,658
Investments in associates	1,702	10	2	608	—	—	2,322
Unallocated assets							4,192
Total assets							348,172
Liabilities							
Segment liabilities	195,308	15,883	31,275	87,529	12,675	(52,814)	289,856
Unallocated liabilities							538
Total liabilities							290,394
Additions to non-current assets	1,758	529	1,376	45	10	—	3,718

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

4. Segment information *(Continued)*

(b) As at 30 June 2012 *(Continued)*:

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

Unaudited	**Assets** *RMB 'million*	**Liabilities** *RMB 'million*
Segment assets/liabilities	341,658	289,856
Investments in associates	2,322	—
Unallocated:		
Deferred income tax	2,627	538
Available-for-sale financial assets	1,564	—
Financial assets at fair value through profit or loss	1	—
Total	348,172	290,394

4. Segment information *(Continued)*

(c) 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** *RMB'million*	**Equipment manufacturing** *RMB'million*	**Resources development** *RMB'million*	**Property development** *RMB'million*	**Others** *RMB'million*	**Elimination** *RMB'million*	**Total** *RMB'million*
Segment revenue	82,760	6,773	6,616	8,642	3,130	(2,083)	105,838
Inter-segment revenue	(1,278)	(270)	(22)	—	(513)	2,083	—
Revenue	81,482	6,503	6,594	8,642	2,617	—	105,838
Segment result	3,287	(7)	854	609	83	(9)	4,817
Unallocated costs							(79)
Operating profit							4,738
Finance income	495	9	21	78	273	(291)	585
Interest income	494	9	20	78	272	(291)	582
Other finance income	1	—	1	—	1	—	3
Finance costs	(1,241)	(120)	(376)	(159)	(173)	291	(1,778)
Interest expense	(1,284)	(111)	(378)	(159)	(171)	291	(1,812)
Other finance costs	43	(9)	2	—	(2)	—	34
Share of profit/(loss) of associates	26	(2)	—	(2)	—	—	22
Profit before income tax							3,567
Income tax expense	(749)	(28)	(142)	(307)	(56)	—	(1,282)
Profit for the period							2,285

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

4. Segment information *(Continued)*

(c) For the six months ended 30 June 2011 *(Continued)*:

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

Unaudited	**Engineering and construction** *RMB'million*	**Equipment manufacturing** *RMB'million*	**Resources development** *RMB'million*	**Property development** *RMB'million*	**Others** *RMB'million*	**Total** *RMB'million*
Depreciation	503	244	277	21	11	1,056
Amortisation	90	12	28	3	11	144
Provision for impairment of property, plant and equipment	1	—	—	—	—	1
Provision for impairment of land use rights	40	—	—	—	—	40
Provision for impairment of inventories	—	10	—	—	—	10
Foreseeable losses on construction contracts	113	—	—	—	—	113
Provision for impairment on trade and other receivables	350	24	28	12	—	414

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

4. Segment information *(Continued)*

(d) As at 31 December 2011:

The segment assets and liabilities as at 31 December 2011 are as follows:

Audited	**Engineering and construction** *RMB'million*	**Equipment manufacturing** *RMB'million*	**Resources Development** *RMB'million*	**Property development** *RMB'million*	**Others** *RMB'million*	**Elimination** *RMB'million*	**Total** *RMB'million*
Assets							
Segment assets	204,455	23,172	35,367	98,780	21,504	(57,700)	325,578
Investments in associates	1,368	—	2	610	—	—	1,980
Unallocated assets							4,473
Total assets							332,031
Liabilities							
Segment liabilities	186,076	15,487	30,090	80,797	18,162	(57,280)	273,332
Unallocated liabilities							524
Total liabilities							273,856
Additions to non-current assets	4,547	2,386	3,836	160	16	—	10,945

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

4. Segment information *(Continued)*

(d) As at 31 December 2011 *(Continued)*:

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

Audited	**Assets** *RMB 'million*	**Liabilities** *RMB 'million*
Segment assets/liabilities	325,578	273,332
Investments in associates	1,980	—
Unallocated:		
Deferred income tax	2,592	524
Available-for-sale financial assets	1,529	—
Financial assets at fair value through profit or loss	352	—
Total	332,031	273,856

5. Finance income and costs

	Six months ended 30 June	
	2012	2011
	RMB 'million	*RMB 'million*
	Unaudited	Unaudited
Interest expense		
— Bank borrowings wholly repayable within 5 years	**3,509**	1,839
— Bank borrowings wholly repayable over 5 years	**294**	172
— Other borrowings	**911**	954
	4,714	2,965
Less: Amounts capitalised in construction-in-progress *(a)*	**(227)**	(194)
Less: Amounts capitalised in properties under development *(b)*	**(1,849)**	(959)
	2,638	1,812
Net foreign exchange gains on borrowings	**—**	(150)
Discount charges on bank acceptance notes	**102**	116
Finance costs	**2,740**	1,778
Interest income on bank deposits	**(863)**	(555)
Interest income on loans to related parties	**—**	(27)
Gain on debt restructuring	**(2)**	(3)
Finance income	**(865)**	(585)
Finance costs, net	**1,875**	1,193

(a) Interest expenses was capitalised as construction-in-progress at the average effective rate of 2.47% (six months ended 30 June 2011: 4.86%) per annum for the six months ended 30 June 2012.

(b) Interest expense was capitalised as properties under development at the average effective rate of 7.83% (six months ended 30 June 2011: 5.63%) per annum for the six months ended 30 June 2012.

6. Expenses by nature

	Six months ended 30 June	
	2012	2011
	RMB 'million	*RMB 'million*
	Unaudited	Unaudited
Raw materials, purchased equipment and consumables used	**36,392**	43,211
Changes in inventories of finished goods and work-in-progress	**(5,142)**	(7,653)
Subcontracting charges	**51,667**	47,317
Employee benefits	**7,119**	6,906
Depreciation of property, plant and equipment	**1,188**	1,037
Fuel and heating expenditure	**354**	495
Business tax and other transaction taxes	**3,011**	2,767
Travelling expenses	**636**	643
Office expenses	**936**	1,033
Transportation costs	**314**	429
Operating lease rentals	**2,329**	1,859
Provision for impairment of trade and other receivables	**562**	414
Research and development costs	**717**	507

6. Expenses by nature *(Continued)*

	Six months ended 30 June	
	2012	2011
	RMB 'million	*RMB 'million*
	Unaudited	Unaudited
Repairs and maintenance	**546**	539
Advertising expenses	**109**	200
Provision for foreseeable losses on construction contracts	**31**	113
Amortisation of land use rights	**93**	89
Amortisation of mining rights *(Note 15)*	**7**	6
Depreciation of investment properties	**18**	19
Amortisation of intangible assets	**70**	49
Insurance expenses	**60**	49
Provision for impairment on inventories	**297**	10
Provision for impairment of mining rights *(Note 15)*	**1,809**	—
Professional and technical consulting fees	**315**	433
Bank charges relating to operating activities	**118**	86
Provision for impairment of property, plant and equipment	**97**	1
Provision for impairment of land use rights	**—**	40
Others	**1,199**	1,060
Total cost of sales, selling and marketing expenses and administrative expenses	**104,852**	101,659

7. Other gains — net

	Six months ended 30 June	
	2012	2011
	RMB 'million	*RMB 'million*
	Unaudited	Unaudited
Financial assets at fair value through profit or loss		
— Fair value losses	**(1)**	—
Net foreign exchange gains/(losses)	**2**	(152)
Gain on disposal of associates	**10**	—
Gain on disposal of subsidiaries	**26**	—
Gain on disposal of property, plant and equipment	**121**	37
Gain on disposal of financial assets	**36**	196
Others	**37**	61
	231	142

8. 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 expenditures including the costs of land use rights and development and construction expenditure.

8. Taxation *(Continued)*

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

	Six months ended 30 June	
	2012	2011
	RMB 'million	*RMB 'million*
	Unaudited	Unaudited
Current income tax:		
— PRC enterprise income tax	**1,067**	1,334
— Overseas taxation	**3**	2
	1,070	1,336
Deferred income tax	**(25)**	(196)
PRC land appreciation tax	**133**	142
	1,178	1,282

8. Taxation *(Continued)*

The difference between the actual income tax charged in the condensed 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	
	2012	2011
	RMB 'million	*RMB 'million*
	Unaudited	Unaudited
Profit before income tax	**717**	3,567
Tax calculated at the statutory tax rate of 25%	**179**	892
Effect of difference between applicable tax rate and statutory tax rate to Group companies	**(83)**	(221)
Tax losses and other temporary differences for which no deferred income tax asset was recognised	**950**	393
Income not subject to taxation	**(57)**	(49)
Expense not deductible for tax purpose	**101**	118
Additional tax relief	**(25)**	(21)
Utilisation of previously unrecognised tax losses and other temporary differences	**(9)**	(20)
Effect of higher tax rate for the appreciation of land in the PRC	**100**	106
Others	**22**	84
Income tax expense	**1,178**	1,282

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

9. Dividends

No interim dividend for the six months ended 30 June 2012 was declared by the Board of Directors (six months ended 30 June 2011: Nil).

10. (Loss)/earnings per share

(a) Basic

Basic loss per share for the six months ended 30 June 2012 is calculated by dividing the loss 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	
	2012	2011
	Unaudited	Unaudited
(Loss)/profit attributable to equity holders of the Company *(RMB' million)*	**(186)**	1,969
Weighted average number of ordinary shares in issue *(million)*	**19,110**	19,110
Basic (loss)/earnings per share *(RMB)*	**(0.01)**	0.10

(b) Diluted

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

11. Trade and other receivables

	As at 30 June 2012 *RMB 'million* Unaudited	As at 31 December 2011 *RMB 'million* Audited
Trade receivables		
Trade receivables	**82,874**	67,219
Retentions	**2,265**	2,093
Notes receivables	**8,800**	11,230
	93,939	80,542
Less: Provision for impairment	**(4,833)**	(4,374)
Trade receivables — net	**89,106**	76,168

11. Trade and other receivables *(Continued)*

	As at 30 June 2012 *RMB 'million* Unaudited	As at 31 December 2011 *RMB 'million* Audited
Other receivables		
Prepayments to suppliers	**21,155**	19,875
Deposits	**9,489**	8,319
Amounts due from related parties and third parties	**1,737**	1,518
Staff advances	**992**	596
Prepayment for investments	**1,867**	1,867
Others	**3,541**	2,868
	38,781	35,043
Less: Provision for impairment	**(1,177)**	(1,092)
Other receivables — net	**37,604**	33,951
Total trade and other receivables	**126,710**	110,119
Less: Non-current portion		
— Trade and other receivables	**(28,363)**	(21,961)
— Retentions	**(279)**	(278)
	(28,642)	(22,239)
Current portion	**98,068**	87,880

11. 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 2012 *RMB 'million* **Unaudited**	As at 31 December 2011 *RMB 'million* Audited
Less than 1 year	**66,217**	59,659
1 year to 2 years	**19,612**	15,102
2 years to 3 years	**4,807**	3,108
3 years to 4 years	**1,732**	1,213
4 years to 5 years	**585**	721
Over 5 years	**986**	739
Trade receivables — gross	**93,939**	80,542
Less: Provision for impairment	**(4,833)**	(4,374)
Trade receivables — net	**89,106**	76,168

12. Trade and other payables

	As at 30 June 2012 *RMB 'million* Unaudited	As at 31 December 2011 *RMB 'million* Audited
Trade payables	**69,041**	61,309
Other payables		
Accrued payroll and related expenses	**2,438**	2,574
Accrued expenses	**653**	768
Purchase deposits from customers	**32,728**	32,719
Deposits payable	**5,839**	4,832
Rental payable	**284**	248
Utilities payable	**343**	364
Repair and maintenance payable	**402**	450
Other taxes payable	**4,964**	4,858
Payables due to third parties	**584**	566
Others	**9,205**	6,442
	57,440	53,821
Total trade and other payables	**126,481**	115,130
Less: Non-current portion		
Other payables	**(333)**	(357)
Current portion	**126,148**	114,773

12. Trade and other payables *(Continued)*

As at 30 June 2012, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follow:

	As at 30 June 2012	As at 31 December 2011
	RMB 'million	*RMB 'million*
	Unaudited	Audited
Less than 1 year	**53,018**	46,958
1 year to 2 years	**9,735**	9,060
2 years to 3 years	**3,308**	2,821
Over 3 years	**2,980**	2,470
	69,041	61,309

13. Borrowings

	As at 30 June 2012	As at 31 December 2011
	RMB 'million	*RMB 'million*
	Unaudited	Audited
Non-current		
Long-term bank borrowings		
— Secured	**10,255**	6,200
— Unsecured	**20,883**	24,634
	31,138	30,834
Other long-term borrowings		
— Secured	**75**	75
— Unsecured	**11**	212
— Debentures	**21,416**	21,364
	21,502	21,651
Total non-current borrowings	**52,640**	52,485

13. Borrowings *(Continued)*

	As at 30 June 2012 *RMB 'million* **Unaudited**	As at 31 December 2011 *RMB 'million* Audited
Current		
Short-term bank borrowings		
— Secured	**3,452**	2,824
— Unsecured	**41,632**	42,171
	45,084	44,995
Other short-term borrowings		
— Secured	**1,315**	1,315
— Unsecured	**5,094**	5,200
— Debentures	**21,400**	17,000
	27,809	23,515
Current portion of long-term bank borrowings		
— Secured	**2,266**	2,274
— Unsecured	**9,382**	7,292
	11,648	9,566
Current portion of other long-term borrowings		
— Unsecured	**6,300**	6,600
	6,300	6,600
Total current borrowings	**90,841**	84,676
Total borrowings	**143,481**	137,161

14. Available-for-sale financial assets

	As at 30 June 2012	As at 31 December 2011
	RMB 'million	*RMB 'million*
	Unaudited	Audited
Listed securities		
— Equity securities — China	**350**	368
Unlisted securities		
— Equity securities — China	**1,214**	1,161
At end of the period	**1,564**	1,529
Less: non-current portion	**(1,564)**	(1,479)
Current portion	**—**	50

15. Mining rights

	Six months ended 30 June	
	2012	2011
	RMB'million	*RMB'million*
	Unaudited	Unaudited
Cost		
At beginning of the period	**5,155**	4,907
Additions	**331**	433
Exchange differences	**(32)**	73
Disposals	**—**	(8)
At end of the period	**5,454**	5,405
Accumulated amortisation		
At beginning of the period	**130**	50
Amortisation *(Note 6)*	**7**	6
Disposals	**—**	(1)
At end of the period	**137**	55
Provision for impairment		
At beginning of the period	**—**	—
Additions *(Note 6)*	**1,809**	—
At end of the period	**1,809**	—
Net book value	**3,508**	5,350

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

15. Mining rights *(Continued)*

(a) As at 30 June 2012, there was an indication that the Cape Lambert Iron Project assets ("Cape Lambert Asset") owned by a wholly-owned subsidiary of the Company, MCC Australia Holding Pty Ltd, may have been impaired. As such, the Group performed an impairment assessment based on its estimated recoverable amount. The estimated recoverable amount is determined based on fair value less costs to sell. The fair value of the Cape Lambert Asset is determined by a valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer. The valuation is based on the Adjusted Prior Sales Multiples Method, a market approach technique. Based on the valuation report, the Group has made an impairment provision on the mining rights amounting to RMB1,809 million for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil), which was charged to administrative expenses and the related impairment provision for mining rights was recognised.

X. SHARE CAPITAL

(I) CHANGES IN SHARE CAPITAL

1. Changes in shares

As of 30 June 2012, 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	16,239,000,000
Total number of shares	19,110,000,000

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

2. Changes in shares subject to selling restrictions

There were no changes in the 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 requirements under the Articles of Association, the Company may increase its registered capital by issuing shares through public or non-public offering, issuing new 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 did not have any share option arrangements.

(II) PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON

1. Number of Shareholders and their shareholding

At the end of the Reporting Period, the Company had a total of 345,378 Shareholders. Among which, 336,798 were holders of A Shares and 8,580 were holders of H Shares.

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 of shareholdings (%)	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)	-185,000	2,838,590,000	14.85	—	Unknown	Others
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)	0	346,500,000	1.82	346,500,000	Unknown	State
Baosteel Group Corporation	-2,000,000	121,891,500	0.64	—	Unknown	State-owned legal person
PICC Life Insurance Company Limited — Dividend — Dividend of Group Insurance (中國人民人壽保險股份有限公司—分紅—團險分紅)	0	44,224,263	0.23	—	Unknown	Others
PICC Health Insurance Company Limited— traditional — general insurance product (中國人民健康保險股份有限公司—傳統—普通保險產品)	-3,963,749	41,691,484	0.22	—	Unknown	Others

PICC Life Insurance Company Limited — dividend — Dividend of Individual Insurance (中國人民人壽保險股份有限公司—分紅—個險分紅)	-1,359,357	35,105,209	0.18	—	Unknown	Others
China Construction Bank — China AMC Dividend Mixed Open-end Securities Investment Fund (中國建設銀行—華夏紅利混合型開放式證券投資基金)	-1,022,832	26,124,217	0.14	—	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)	-950,700	25,706,816	0.13	—	Unknown	Others
Industrial and Commercial Bank of China Limited — Huatai-PineBridge CSI 300 Open-end Trading Index Securities Investment Fund (中國工商銀行股份有限公司—華泰柏瑞滬深300交易型開放式指數證券投資基金)	23,632,060	23,632,060	0.12	—	Unknown	Others

Note 1: Figures in the table were extracted from the Company's register of Shareholders as at 30 June 2012.

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

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 *(Note 2)*	2,838,590,000	H Shares
Baosteel Group Corporation	121,891,500	A Shares
PICC Life Insurance Company Limited — Dividend — Dividend of Group Insurance (中國人民人壽保險股份有限公司 — 分紅 — 團險分紅)	44,224,263	A Shares
PICC Health Insurance Company Limited — traditional — general insurance product (中國人民健康保險股份有限公司 — 傳統 — 普通保險產品)	41,691,484	A Shares
PICC Life Insurance Company Limited — dividend — Dividend of Individual Insurance (中國人民人壽保險股份有限公司 — 分紅 — 個險分紅)	35,105,209	A Shares
China Construction Bank — China AMC Dividend Mixed Open-end Securities Investment Fund (中國建設銀行 — 華夏紅利混合型開放式證券投資基金)	26,124,217	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)	25,706,816	A Shares

Industrial and Commercial Bank of China Limited — Huatai-PineBridge CSI 300 Open-end Trading Index Securities Investment Fund (中國工商銀行股份有限公司—華泰柏瑞滬深300交易型開放式指數證券投資基金)	23,632,060	A Shares
PICC Life Insurance Company Limited — proprietary funds (中國人民人壽保險股份有限公司 — 自有資金)	21,781,498	A Shares
Huatai Securities Company Limited — Client Credit Trading Guarantee Securities Account (華泰證券股份有限公司客戶信用交易擔保證券帳戶)	17,739,558	A Shares

Explanations on the connections or parties acting in concert with the aforesaid Shareholders	Save that part of the aforesaid Shareholders are managed by the same administrator, the Company is not aware of the existence of any connections or parties acting in concert with the aforesaid Shareholders.

Note 1: Figures in the table were extracted from the Company's register of Shareholders as at 30 June 2012.

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

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

Unit: Share

No.	Name of holder of shares subject to selling restrictions	Number of shares subject to selling restrictions held	Trading of shares subject to selling restrictions: Date for listed trading	Trading of shares subject to selling restrictions: Number of new shares for listed 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	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 in the table were extracted from the Company's register of Shareholders as at 30 June 2012.

2. *Specifications on Controlling Shareholder and Ultimate Controlling Person*

(1) Controlling shareholder

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

MCC Group, 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 MCC Group 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, MCC Group 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, MCC Group, as the controlling shareholder of the Company, mainly functions as a Shareholder of the Company, and operates the paper business and disposes of and liquidates its retained assets.

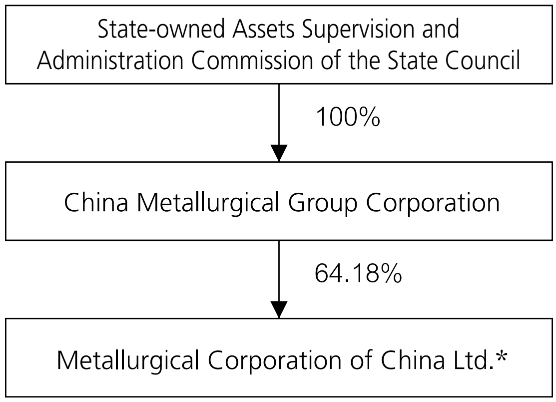
(2) Ultimate controlling person

The 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 the Company's shares and underlying shares*

As at 30 June 2012, 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**	**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

Holders of H Shares

Unit: Share

Name of substantial Shareholder	**Capacity**	**Number of H Shares**	**Nature of interest**	**Approximate percentage of total issued H Shares** *(%)*	**Approximate percentage of total issued shares** *(%)*
China Life Insurance (Group) Company	Interest in a controlled corporation	148,356,000	Long position	5.17	0.78
China Life Insurance (Overseas) Company Limited *(Note)*	Beneficial owner	148,356,000	Long position	5.17	0.78

Note: China Life Insurance (Overseas) Company Limited is a wholly-owned subsidiary of China Life Insurance (Group) Company.

Save as disclosed above, to the knowledge of the Directors, Supervisors and chief executives of the Company, as at 30 June 2012, 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 in the Company's share capital that would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

XI. PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries sold, purchased or redeemed any of the securities of the Company as at 30 June 2012.

XII. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has reviewed the corporate governance documents of the Company and was of the opinion that, during the six months ended 30 June 2012, the Company had complied with the requirements of the code provisions of the Code on Corporate Governance Practices and the Corporate Governance Code(with effect from 1 April 2012) as set out in Appendix 14 to the Hong Kong Listing Rules, except the relevant requirements under A.4.2 and C. 3.3 of the Corporate Governance Code.

As at the end of the Reporting Period, the first session of the Board and the Supervisory Committee of the Company had been in office for 3 years. Pursuant to the provisions of the Articles of Association, prior to the establishment of the second session of the Board and the Supervisory Committee as well as the election of Directors and Supervisors for the coming session, the members of the first session of the Board and the Supervisory Committee shall still continue to discharge their duties. The Company is currently considering the composition of the second session of the Board and the Supervisory Committee, which is subject to relevant regulatory approvals, and any proposed nomination or re-election of Directors and Supervisors will be submitted to a general meeting of the Company for consideration or approval once the Company is in a position to do so. Certain deviations have been found in aforementioned situation as the code provision A.4.2 of Corporate Governance Code requires that "every director should be subject to retirement by rotation at least once every three years". In addition, as stipulated in paragraphs (f), (g) and (h) of the code provision C.3.3 of Corporate Governance Code, the terms of reference of the Finance and Audit Committee of the Board shall include reviewing financial control, internal control and risk management system of the Company; discussing the internal control system with management to ensure that the management have performed their duties in establishing an effective internal control system; and considering major investigation findings on internal control matters and management's response to these findings on the Committee's own initiative or as delegated by the Board. Since the Company attaches great importance to the work related to risk management, it established the Risk Management Committee in 2010 which would be responsible for internal control and risk management, and therefore leading to a technical deviation from the requirements of paragraphs (f), (g) and (h) of the code provision C.3.3.

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

The Company has adopted the Model Code as the code governing the dealings in the Company's securities by the Directors and Supervisors. Having made specific enquiries with all the Directors and Supervisors, all the Directors and Supervisors of the Company confirmed that they had fully complied with the requirements set out in the Model Code for the six months ended 30 June 2012.

XIV. SUBSEQUENT EVENTS

Except for those disclosed, as at the date of the announcement, there is no occurrence of events that had a significant impact on the Group's operation, financial and trading prospects.

XV. REVIEW WORK OF INTERIM RESULTS AND INTERIM FINANCIAL INFORMATION

The Finance and Audit Committee had reviewed the unaudited interim financial results of the Group for the six months ended 30 June 2012. The Committee was of the option that the unaudited interim results for the six months ended 30 June 2012 had been in compliance with General Accepted Accounting Principles and laws.

The unaudited interim condensed consolidated balance sheet, unaudited interim condensed consolidated income statement, unaudited interim condensed consolidated statement of comprehensive income, unaudited interim condensed consolidated statement of changes in equity, unaudited interim condensed consolidated statement of cash flows 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 2012 which have been reviewed by the international auditor of the Company, PricewaterhouseCoopers, 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.

XVI. EXPLANATIONS OF THE BOARD OF THE COMPANY ON THE AUDITOR'S REVIEW REPORT WITH EMPHASES OF MATTER FOR THE REPORTING PERIOD

PricewaterhouseCoopers ("PwC Hong Kong") issued a review report with an emphasis of matter on the financial information of the Group for the first half year of 2012.

1. The details of PwC Hong Kong's emphasis of matters are as follows:

We draw attention to Note 12 to the interim financial information, which explained that the accumulated costs of certain contracts have exceeded their current contract values agreed by the customer. Based on the Group's assessment, management believes that all the contract costs are recoverable and no provision for foreseeable losses is needed. There is a significant uncertainty surrounding this matter in respect of whether losses would eventually arise on these contracts, which depends on the results of the special purpose audits to be undertaken on the contract costs incurred and the relevant negotiations. Our conclusion is not qualified in respect of this matter.

2. Description of relevant information

Relevant information about specific contracts disclosed in Note 12: in August 2007, the Parent signed an agreement with Sino Iron Pty Ltd, a subsidiary of CITIC Pacific, regarding Western Australia ("WA") SINO Iron Ore Project, with a total contract value of USD1.75 billion conditional to the deployment of Chinese skills and technologies, equipments and labour. Subsequently with the agreement of both parties and the execution of supplementary agreement, the Parent's contractual rights and obligations under the agreement were amended to be undertaken by MCC Mining (Western Australia) Pty Ltd ("MCC WA"), a subsidiary of the Company. The project commenced in April 2009. Due to multiple adjustments of the process plan by CITIC Pacific and the underestimation of Australian laws and standards and exchange rate fluctuations by the both parties, the parties had begun to negotiate to adjust contract prices since the second half of 2009, and signed the Supplemental Agreement II on 11 May 2010 which increased the contract value by USD835 million, and then signed the Supplementary Agreement III on 30 December 2011 which further increased the contract value by USD822 million. The contract value of the project has so far increased to USD3.407 billion. Although the final outcome of the project is depending on the special purpose audits results on project costs and will be determined through negotiations, the Group believes that MCC and CITIC Pacific have established a good communication and coordination mechanism for the WA SINO Iron Ore Project, so the problem of project cost will be reasonably resolved. The Group believes that the costs incurred under the contracts and the estimated contract costs to complete the contracts are expected to be recoverable, thus revenues of the project are recognised to the extent of actual costs incurred, without recognising any profit margin, and the Group also believes that it is not necessary to make any provision for foreseeable contract losses.

The aforesaid emphasis has been disclosed in the Notes to the financial information for the first half of 2012, which complies with the International Financial Reporting Standards and the related disclosure requirements.

3. Measures adopted by the Company

The Group will continue to strengthen the on-site management of WA SINO Iron Ore Project, strictly control the costs and constantly improve the delicacy management. According to the agreements signed with CITIC Pacific, it will start the collation of data and complete the relevant preparation for the special purpose audits on project costs. It will also accelerate the construction of the project and manage to put the first and second major technique production lines into operation in line with the requirements of the owner and the on-site supporting conditions of the projects. In the meantime, it will endeavor to promote the project settlement and follow-up negotiations with the owner, CITIC Pacific. In cases when contract costs and discovered to be unrecoverable or when the total contract costs are expected to exceed total contract revenues, unrecoverable cost will be recognized as estimated contract loss for the period when it is discovered.

4. The management's opinion on the auditor's report with an emphasis of matter

As at 30 June 2012, the accumulated costs of WA SINO iron ore project have exceeded its current contract value agreed by the owner by RMB3,025 million (which had been included in the contracts whose outcomes cannot be estimated reliably in Note 6(a)(i)). As at 30 June 2012, the amounts due from customers for contract work less the advances received from the owner amounted to approximately RMB2,964 million. The Group is currently following up with the customer on the settlement of the amounts due from customers for contract work. Meanwhile, the Group has agreed with the customer to jointly implement a mechanism to better control future contract costs to be incurred. The final outcome of this contract cannot be estimated reliably since the final contract value will depend on the results of the special purpose audits to be undertaken on the contract costs incurred and the relevant negotiations. At the date of approval of this interim financial information, the Group believes that the contract costs incurred and the estimated costs to complete these contracts are recoverable. Accordingly, the Group has recognized revenue from these contracts to the extent of costs incurred without recognizing any profit margin, and no provision for foreseeable losses has been made.

There is a significant uncertainty surrounding the final outcome of this contract since the final contract value will depend on the results of the special purpose audits to be undertaken on the contract costs incurred and the relevant negotiations. Therefore, the assets, liabilities, revenues and costs associated with this contract recognized in the reporting period may be subject to significant adjustments in subsequent years as the contract work progresses. The Group will continue to monitor the developments of this contract including status of settlement with the customer, the future special purpose audits and the relevant negotiation. In cases when certain contract costs become unrecoverable or when it is probable that the total contract costs will exceed total contract value, the Group will make provision for foreseeable losses on any irrecoverable costs in the period when they are identified.

5. Opinion of the board and independent directors on the auditor's report with an emphasis of matter

The Board of the Company is of the opinion that the review report issued by PwC Hong Kong has given an objective conclusion on the Group's financial position as at 30 June 2012 and the operating results for the first half of 2012, and the relevant information about its report with an emphasis of matters is true. The Group has disclosed relevant information about these matters in the notes to the 2012 interim financial information, which conforms to the International Financial Reporting Standards and its disclosure requirements. The management has adopted various measures and formulated proactive solutions to address these matters. The Board has approved and would support the measures taken by the management, and will continue to pay attention and jointly promote the implementation of relevant tasks with the management.

The independent directors consider that, according to the reports and information provided by the management, the report on review of the financial position of the Group as at 30 June 2012 and the evaluation on its operating results for the first half of the year issued by PwC Hong Kong had no discrepancies with our view on the Group's situation. We have no objection to the review conclusion made by the Board based on the report and information provided by the management in respect of the review conclusion which was given by PwC Hong Kong. In order to recover costs incurred by the project, we will keep a closer eye on, and request the management to carry through the management of SINO ore mine construction project in Western Australia conscientiously, especially in respect of the coordination and communications with CITIC Pacific (中信泰富), progress of construction, cost control, relevant documentation and filing of relevant records and specialized auditing for project costs.

XVII. EXPLANATION OF THE BOARD OF THE COMPANY ON THE CHANGES AND COUNTER-MEASURES INVOLVED IN THE AUDITOR'S REPORT WITH AN EMPHASIS OF MATTER FOR THE LAST YEAR

The auditor issued an auditor's report with an emphasis of matter on the financial statements of the Group for the year ended 31 December 2011, the content of which was: "We draw attention to Note 18 to the consolidated financial statements, which explained that the accumulated costs of certain contracts have exceeded their current contract values agreed by the customer. Based on the Group's assessment, management believes that all the contract costs are recoverable and no provision for foreseeable losses is needed. There is a significant uncertainty surrounding this matter in respect of whether losses would eventually arise on these contracts, which depends on the results of the special purpose audits to be undertaken on the contract costs incurred and the relevant negotiations. Our opinion is not qualified in respect of this matter."

The details of Note 18 to the aforementioned 2011 annual auditors' report of MCC was that, "as at 31 December 2011, the accumulated costs of certain construction contracts have exceeded their current contract values agreed by the owner by RMB750 million. The remaining costs to be incurred to complete these contracts are estimated to be approximately RMB5,500 million (which had been included in the total estimated costs to complete those construction contracts whose outcomes cannot be estimated reliably in Note 5(a)(i) to the financial statements). As at 31 December 2011, the amounts due from customers for contract work less the advances received from the owner amounted to approximately RMB4,450 million. The Group is currently following up with the owner on the settlement of the amounts due from customers for contract work. Meanwhile, the Group has agreed with the customer to jointly implement a mechanism to better control future contract costs to be incurred. The final outcome of these contracts cannot be estimated reliably since the final contract value will depend on the results of the special purpose audits to be undertaken on the contract costs incurred and the relevant negotiations. At the date of approval of these financial statements, based on its assessment, the Group believes that the contract costs incurred and the estimated costs to complete these contracts are recoverable. Accordingly, the Group has recognised revenue from these contracts to the extent of costs incurred without recognising any profit margin, and no provision for foreseeable losses has been made.

There is a significant uncertainty surrounding the final outcome of this contract since the final contract value will depend on the results of the special purpose audits to be undertaken on the contract costs incurred and the relevant negotiations. Therefore, the assets, liabilities, revenues and costs associated with this contract recognised in the current year may be subject to significant adjustments in subsequent years as the contract work progresses. The Group will continue to monitor the developments of this contract including status of settlement with the customer, the relevant negotiations results of the future special purpose audits. In cases when certain contract costs become unrecoverable or when it is probable that the total contract costs will exceed total contract value, the Group will make provision for foreseeable losses on any irrecoverable costs in the period when they are identified."

As at 30 June 2012, the project was under smooth progress and the accumulated costs of this construction contract had exceeded its current contract value agreed by the owners by RMB3,025 million, however, there was no significant change in the estimated total contract cost compared to the end of last year. As at 30 June 2012, the amounts due from customers for contract work less the advances received from the owner amounted to approximately RMB2,964 million. As at the end of the Reporting Period, the agreement between the Group and owners, the evaluation results on whether the contract costs incurred are recoverable and the ongoing concerns of the projects remain the same as the information disclosed in the aforesaid annual report.

As stated in the 2011 annual report of the Company, the Group will continue to strengthen the on-site management of Western Australia SINO Iron Ore Project, strictly control the costs and constantly improve the streamlined management. According to the agreements signed with CITIC Pacific, it will start the collation of historic data and complete the relevant preparation for the special purpose audits on project costs. It will also accelerate the construction of the project and manage to put the first and second major technique production lines into operation in line with the requirements of the owner and the on-site supporting conditions of the projects. In the meantime, it will endeavor to promote the project settlement and follow-up negotiations with the owner, CITIC Pacific. In cases when the contract costs become unrecoverable or when it is probable that the total contract costs will exceed total contract values, a foreseeable loss on irrecoverable costs will be recognized immediately.

XVIII. PUBLICATION OF THE INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2012 is expected to 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 6 September 2012 for inspection by the Company's Shareholders.

XIX. DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Definitions

2011 AGM	the 2011 annual general meeting of the Company held on 15 June 2012
Articles of Association	Articles of Association of Metallurgical Corporation of China Ltd.*
A Share(s)	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
Code on Corporate Governance Practices	the Code on Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules prior to Corporate Governance Code coming into effect on 1 April 2012
controlling shareholder	has the meaning ascribed thereto under the Hong Kong Listing Rules

Corporate Governance Code	the revised Corporate Governance Code as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Hong Kong Listing Rules coming into effect from 1 April 2012
CSRC	the China Securities Regulatory Commission
Director(s)	the director(s) of the Company, including all executive, non-executive and independent non-executive Directors
Group, our Group	Metallurgical Corporation of China Ltd.*, and, except where the context otherwise requires, its subsidiaries
H Share(s)	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
HK$ or 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
MCC, our Company, the Company	means Metallurgical Corporation of China Ltd.*, a joint stock limited company with limited liability incorporated under the laws of the PRC on 1 December 2008 or, where the context refers to any time prior to its incorporation, the businesses which its predecessors were engaged in and which were subsequently assumed by it pursuant to the Parent reorganization

Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
MCC Group, Parent	China Metallurgical Group Corporation
Renminbi or RMB	Renminbi, the lawful currency of the PRC
Reporting Period	from 1 January 2012 to 30 June 2012
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(s)	holder(s) of share(s) of the Company
State Council	the State Council of the People's Republic of China
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
Stock Exchange, Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of Metallurgical Corporation of China Ltd.
USD, US dollars	US dollars, the lawful currency of the United States of America

Technical Terms

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	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

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

Beijing, the PRC
30 August 2012

As at the date of this announcement, the Board of the Company 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*