The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in [•].

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

[•]

The Directors
Metallurgical Corporation of China Ltd.

[•]

Dear Sirs,

We set out our report on the financial information (the "Financial Information") of Metallurgical Corporation of China Ltd. (the "Company") and its subsidiaries (together, the "Group") in Sections I to III below, for inclusion in [•]. The Financial Information comprises the consolidated balance sheets as at 31 December 2006, 2007 and 2008 and 30 June 2009, the balance sheets of the Company as at 31 December 2008 and 30 June 2009 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the People's Republic of China (the "PRC" or "China") on 1 December 2008 as a joint stock company with limited liability under the Company Law of China. Pursuant to a group reorganisation of China Metallurgical Group Corporation ("Parent"), a state-owned enterprise in the PRC, approved by the State-owned Assets Supervision and Administrative Commission ("SASAC") of the State Council (the "State Council") of the PRC, as described in Note 1.2 of Section II headed "Organisation and reorganisation" below, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

Details of the principal subsidiaries and associates, in which the Company has direct and indirect interests as at the date of this report, are set out in Note 48 of Section II of this report. All of the companies now comprising the Group have adopted 31 December as their financial year end dates. For the Relevant Periods, the financial statements of these entities were prepared in accordance with relevant accounting principles and financial regulations applicable to PRC enterprises or other accounting principles applicable to these entities in their jurisdictions. The names of the respective auditors are set out in Note 48 of Section II of this report.

The directors of the Company have prepared the consolidated financial statements of the Group for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 and the balance sheets of the Company as at 31 December 2008 and 30 June 2009 in accordance with China Accounting Standards ("CAS Financial Statements"). The CAS Financial Statements were audited by Reanda Certified Public Accountants ("利安達信隆會計師事務所有限責任公司") in accordance with China Standards on Auditing.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods and the balance sheets of the Company as at 31 December 2008 and 30 June 2009 in accordance with International Financial Reporting Standards ("IFRSs") (the "IFRS Financial Statements"). The IFRS

Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 and the balance sheets of the Company as at 31 December 2008 and 30 June 2009 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company (“普華永道中天會計師事務所有限公司”) in accordance with International Standards on Auditing.

The Financial Information has been prepared based on the IFRS Financial Statements, with no adjustment made thereon, and on the basis set out in Note 2 of Section II below.

Directors’ responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the IFRS Financial Statements in accordance with IFRSs.

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended 30 June 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the basis of presentation set out in Note 2 of Section II below and the accounting policies set out in Note 3 of Section II below, which are in conformity with IFRSs.

Reporting accountant’s responsibility

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the IFRS Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants.

For the financial information for the six months ended 30 June 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, gives a true and fair view of the state of affairs of the Company as at 31 December 2008 and 30 June 2009 and the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the Group’s results and cash flows for respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended 30 June 2008, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below, which are in conformity with IFRSs.

I FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 and for the Relevant Periods.

A. Consolidated Balance Sheets

	Note	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 30 June 2009
		RMB 'million	RMB 'million	RMB 'million	RMB 'million
ASSETS					
Non-current assets					
Property, plant and equipment	7	11,942	20,203	21,486	25,317
Land use rights	8	2,019	3,235	5,767	5,925
Mining rights	9	241	353	3,519	3,509
Investment properties	10	498	392	343	323
Intangible assets	11	649	2,271	3,586	4,174
Investments in associates	13	504	607	923	1,098
Available-for-sale financial assets	15	1,127	2,310	900	1,091
Held-to-maturity financial assets	16	17	44	46	47
Deferred income tax assets	30	1,232	988	1,580	1,695
Trade and other receivables	17	1,358	1,321	1,734	1,984
Other non-current assets		70	89	91	107
		19,657	31,813	39,975	45,270
Current assets					
Inventories	20	5,814	9,384	11,112	10,106
Properties under development	20	5,663	11,025	16,995	18,421
Completed properties held for sale	20	245	460	367	911
Trade and other receivables	17	28,467	50,785	56,783	60,446
Amounts due from customers for contract work	19	11,131	11,918	16,913	19,186
Available-for-sale financial assets	15	73	55	12	7
Held-to-maturity financial assets	16	83	456	—	101
Financial assets at fair value through profit or loss	18	381	24	2	2
Restricted cash	21	612	522	2,271	3,287
Cash and cash equivalents	22	18,517	24,281	26,094	26,946
		70,986	108,910	130,549	139,413
Total assets		90,643	140,723	170,524	184,683

	Note	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 30 June 2009
		RMB 'million	RMB 'million	RMB 'million	RMB 'million
EQUITY					
Owner's equity before the Reorganisation	24	(1,754)	2,598	—	—
Share capital	23	—	—	13,000	13,000
Reserves	24	—	—	(10,986)	(10,551)
Equity attributable to equity holders of the Company		(1,754)	2,598	2,014	2,449
Non-controlling interests		4,008	3,877	5,641	6,056
Total equity		2,254	6,475	7,655	8,505
LIABILITIES					
Non-current liabilities					
Borrowings	26	5,095	5,975	18,718	30,445
Deferred income	27	300	456	431	326
Retirement and other supplemental benefit obligations	28	7,438	6,962	6,225	6,054
Provisions for other liabilities and charges	29	46	22	26	34
Trade and other payables	25	290	542	257	350
Deferred income tax liabilities	30	536	1,045	605	629
		13,705	15,002	26,262	37,838
Current liabilities					
Trade and other payables	25	47,919	72,499	81,904	80,947
Dividends payable		—	34	256	2,131
Amounts due to customers for contract work	19	6,389	10,051	14,030	11,016
Current income tax liabilities		606	1,002	791	754
Borrowings	26	19,038	34,894	38,721	42,645
Retirement and other supplemental benefit obligations	28	732	766	905	847
		74,684	119,246	136,607	138,340
Total liabilities		88,389	134,248	162,869	176,178
Total equity and liabilities		90,643	140,723	170,524	184,683
Net current (liabilities)/assets		(3,698)	(10,336)	(6,058)	1,073
Total assets less current liabilities		15,959	21,477	33,917	46,343

B. Balance Sheets of the Company

	Note	As at 31 December 2008 RMB 'million	As at 30 June 2009 RMB 'million
ASSETS			
Non-current assets			
Property, plant and equipment		33	33
Intangible assets		6	6
Investments in subsidiaries	12	37,620	42,330
Trade and other receivables	17	895	655
Other non-current asset		1	2
		38,555	43,026
Current assets			
Inventories		8	10
Trade and other receivables	17	18,290	20,637
Amounts due from customers for contract work	19	25	13
Cash and cash equivalents	22	3,636	2,470
		21,959	23,130
Total assets		60,514	66,156
EQUITY			
Share capital	23	13,000	13,000
Reserves	24	6,545	6,753
Total equity		19,545	19,753
LIABILITIES			
Non-current liabilities			
Borrowings	26	8,650	13,135
Retirement and other supplemental benefit obligations		29	30
		8,679	13,165
Current liabilities			
Trade and other payables	25	12,590	11,638
Dividends payable		256	2,131
Amounts due to customers for contract work	19	403	876
Borrowings	26	19,036	18,590
Retirement and other supplemental benefit obligations		5	3
		32,290	33,238
Total liabilities		40,969	46,403
Total equity and liabilities		60,514	66,156
Net current liabilities		(10,331)	(10,108)
Total assets less current liabilities		28,224	32,918

C. Consolidated Income Statements

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Revenue	6	91,706	125,056	157,899	74,114	74,866
Cost of sales	33	(82,103)	(112,085)	(145,595)	(67,153)	(67,847)
Gross profit		9,603	12,971	12,304	6,961	7,019
Selling and marketing expenses	33	(530)	(709)	(928)	(365)	(385)
Administrative expenses	33	(5,072)	(5,786)	(6,559)	(3,080)	(2,984)
Other income	31	347	587	1,064	327	490
Other gains — net	32	126	1,390	564	132	71
Other expenses		(64)	(98)	(85)	(17)	(50)
Operating profit		4,410	8,355	6,360	3,958	4,161
Finance income	35	452	382	548	236	229
Finance costs	35	(1,030)	(1,317)	(3,005)	(1,261)	(1,173)
Share of profits of associates	13	26	70	120	52	40
Profit before income tax		3,858	7,490	4,023	2,985	3,257
Income tax expense	37	(651)	(1,698)	(840)	(605)	(684)
Profit for the year/period		3,207	5,792	3,183	2,380	2,573
Attributable to:						
Equity holders of the Company		1,920	3,855	3,200	2,056	2,137
Non-controlling interests		1,287	1,937	(17)	324	436
		3,207	5,792	3,183	2,380	2,573
Earnings per share for profit attributable to the equity holders of the Company during the year/period						
— Basic earnings per share (RMB)	39	0.15	0.30	0.25	0.16	0.16
— Diluted earnings per share (RMB)	39	0.15	0.30	0.25	0.16	0.16
Dividends	40	—	34	256	—	1,875

D. Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Profit for the year/period		3,207	5,792	3,183	2,380	2,573
Other comprehensive income/(expense)						
Fair value gains/(losses) on available-for-sale financial assets, net of tax		274	964	(1,028)	(482)	203
Currency translation differences		(17)	(87)	(213)	(46)	(73)
Other comprehensive income/(expense) for the year/period, net of tax		257	877	(1,241)	(528)	130
Total comprehensive income for the year/period		3,464	6,669	1,942	1,852	2,703
Total comprehensive income attributable to						
Equity holders of the Company		2,136	4,411	2,160	1,696	2,265
Non-controlling interests		1,328	2,258	(218)	156	438
		3,464	6,669	1,942	1,852	2,703

E. Consolidated Statements of Changes in Equity

	Note	Attributable to equity holders of the Company						
		Share capital	Reserves	Retained earnings	Owner's equity before the reorganisation	Sub total	Non-controlling interest	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 1 January 2006		—	—	—	(3,804)	(3,804)	1,388	(2,416)
Profit for the year		—	—	—	1,920	1,920	1,287	3,207
Other comprehensive income:								
Fair value gains on available-for-sale financial assets, net of tax		—	—	—	233	233	41	274
Currency translation differences		—	—	—	(17)	(17)	—	(17)
Total comprehensive income for the year		—	—	—	2,136	2,136	1,328	3,464
Dividends	40	—	—	—	—	—	(184)	(184)
Transaction with non-controlling interests	49	—	—	—	64	64	465	529
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	—	1,065	1,065
Liquidation/disposal of subsidiaries		—	—	—	—	—	(54)	(54)
Deemed distribution		—	—	—	(150)	(150)	—	(150)
At 31 December 2006		—	—	—	(1,754)	(1,754)	4,008	2,254
Profit for the year		—	—	—	3,855	3,855	1,937	5,792
Other comprehensive income:								
Fair value gains on available-for-sale financial assets, net of tax		—	—	—	629	629	335	964
Currency translation differences		—	—	—	(73)	(73)	(14)	(87)
Total comprehensive income for the year		—	—	—	4,411	4,411	2,258	6,669
Dividends	40	—	—	—	(34)	(34)	(612)	(646)
Transaction with non-controlling interests	49	—	—	—	347	347	(3,285)	(2,938)
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	—	1,670	1,670
Liquidation/disposal of subsidiaries		—	—	—	—	—	(162)	(162)
Deemed distribution		—	—	—	(372)	(372)	—	(372)
At 31 December 2007		—	—	—	2,598	2,598	3,877	6,475

		Attributable to equity holders of the Company						
	Note	Share capital	Reserves	Retained earnings	Owner's equity before the reorganisation	Sub total	Non-controlling interest	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 31 December 2007		—	—	—	2,598	2,598	3,877	6,475
Profit/(loss) for the period from 1 January 2008 to 1 December 2008		—	—	—	2,894	2,894	(37)	2,857
Other comprehensive income:								
Fair value losses on available-for-sale financial assets, net of tax		—	—	—	(861)	(861)	(160)	(1,021)
Currency translation differences		—	—	—	(162)	(162)	(39)	(201)
Total comprehensive income/(expense) for the period from 1 January 2008 to 1 December 2008		—	—	—	1,871	1,871	(236)	1,635
Dividends	40	—	—	—	—	—	(229)	(229)
Transaction with non-controlling interests	49	—	—	—	(1,417)	(1,417)	1,735	318
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	—	231	231
Liquidation/disposal of subsidiaries		—	—	—	—	—	(48)	(48)
Deemed distribution		—	—	—	(537)	(537)	(333)	(870)
Capital contribution		—	—	—	2,327	2,327	—	2,327
Special distribution		—	—	—	(3,121)	(3,121)	—	(3,121)
Additional capital injection to subsidiaries from owners and non-controlling interest proportionally		—	—	—	—	—	643	643
At 1 December 2008		—	—	—	1,721	1,721	5,640	7,361

	Note	Attributable to equity holders of the Company						
		Share capital	Reserves	Retained earnings	Owner's equity before the reorganisation	Sub total	Non-controlling interest	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 1 December 2008		—	—	—	1,721	1,721	5,640	7,361
Capitalisation and issues of new shares to Parent upon establishment of the Company		12,870	(11,149)	—	(1,721)	—	—	—
Contribution received from Baosteel Group Co., Ltd ("Baosteel")	1.2(f)	130	65	—	—	195	—	195
Profit for the period from 2 December 2008 to 31 December 2008		—	—	306	—	306	20	326
Other comprehensive income:								
Fair value losses on available-for-sale financial assets, net of tax		—	(7)	—	—	(7)	—	(7)
Currency translation differences		—	(10)	—	—	(10)	(2)	(12)
Total comprehensive (expense)/income for the period from 2 December 2008 to 31 December 2008		—	(17)	306	—	289	18	307
Capital contribution		—	57	—	—	57	—	57
Dividends	40	—	—	(256)	—	(256)	—	(256)
Transaction with non-controlling interests	49	—	8	—	—	8	(17)	(9)
Appropriation		—	28	(28)	—	—	—	—
At 31 December 2008		13,000	(11,008)	22	—	2,014	5,641	7,655

	Note	Attributable to equity holders of the Company						
		Share capital	Reserves	Retained earnings	Owner's equity before the reorganisation	Sub total	Non-controlling interest	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 31 December 2008		13,000	(11,008)	22	—	2,014	5,641	7,655
Profit for the period		—	—	2,137	—	2,137	436	2,573
Other comprehensive income:								
Fair value gains on available-for-sale financial assets, net of tax		—	180	—	—	180	23	203
Currency translation differences		—	(52)	—	—	(52)	(21)	(73)
Total comprehensive income for the period		—	128	2,137	—	2,265	438	2,703
Dividends	40	—	—	(1,875)	—	(1,875)	(252)	(2,127)
Transaction with non-controlling interests	49	—	45	—	—	45	27	72
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	—	171	171
Investments in subsidiaries transferred to investments in associates		—	—	—	—	—	(16)	(16)
Additional capital injection from owners and non-controlling interest proportionally		—	—	—	—	—	47	47
Appropriation		—	208	(208)	—	—	—	—
At 30 June 2009		13,000	(10,627)	76	—	2,449	6,056	8,505

Unaudited consolidated statement of changes in equity for the six months ended 30 June 2008:

	Note	Attributable to equity holder of the Company						
		Share capital	Reserves	Retained earnings	Owner's equity before the reorganisation	Sub total	Non-controlling interest	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 31 December 2007		—	—	—	2,598	2,598	3,877	6,475
Profit for the period		—	—	—	2,056	2,056	324	2,380
Other comprehensive income:								
Fair value losses on available-for-sale financial assets, net of tax		—	—	—	(318)	(318)	(164)	(482)
Currency translation differences		—	—	—	(42)	(42)	(4)	(46)
Total comprehensive income for the period		—	—	—	1,696	1,696	156	1,852
Dividends	40	—	—	—	—	—	(186)	(186)
Transaction with non-controlling interests	49	—	—	—	(1,459)	(1,459)	1,804	345
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	—	13	13
Liquidation/disposal of subsidiaries		—	—	—	—	—	(6)	(6)
Additional capital injection to subsidiaries from owners and non-controlling interest proportionally		—	—	—	—	—	44	44
At 30 June 2008 (Unaudited)		—	—	—	2,835	2,835	5,702	8,537

F. Consolidated Cash Flow Statements

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Cash flows from operating activities						
Cash generated from/(used in) operations	41	3,613	7,878	7,338	(1,877)	(1,386)
Income tax paid		(389)	(1,036)	(1,742)	(1,297)	(851)
Net cash generated from/(used in) operating activities		3,224	6,842	5,596	(3,174)	(2,237)
Cash flows from investing activities						
Purchases of property, plant and equipment		(3,376)	(9,015)	(8,092)	(2,709)	(3,851)
Purchases of land use rights		(750)	(4,368)	(2,413)	(1,139)	(630)
Purchases of mining rights		—	(15)	(3,207)	(5)	—
Purchases of investment properties		(165)	(10)	(69)	(33)	—
Purchases of intangible assets		(30)	(1,131)	(1,362)	(689)	(631)
Purchases of available-for-sale financial assets		(73)	(105)	(64)	(42)	(1)
Purchases of held-to-maturity financial assets		(5)	(469)	(43)	(11)	(341)
Increase in investment in associates		(92)	(108)	(262)	(62)	(120)
Net cash (outflow)/inflow for acquisition of subsidiaries	42	(1,410)	(1,281)	(188)	—	196
Prepayment for investments		—	—	—	—	(3,504)
Amounts received from related parties and third parties		(261)	(510)	(883)	(192)	(283)
Proceeds from disposal of property, plant and equipment		145	189	94	83	79
Proceeds from disposal of land use rights		18	9	15	5	—
Proceeds from disposal of investment properties		—	81	60	55	—
Proceeds from disposal of intangible assets		—	—	3	3	—
Proceeds from disposal of available-for-sale financial assets		184	457	666	413	79
Proceeds from held-to-maturity financial assets upon maturity date		—	70	500	360	240
Net cash inflow from disposal of investment in associates		232	15	34	—	—
Net cash inflow/(outflow) on disposal of subsidiaries	43	—	381	(61)	11	—
Transaction with non-controlling interests		455	(362)	(1,820)	(1,333)	(149)
Dividends received		85	167	78	30	50
Net cash used in investing activities		(5,043)	(16,005)	(17,014)	(5,255)	(8,866)

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Cash flows from financing activities						
Proceeds from borrowings		19,341	38,973	55,607	33,527	47,099
Repayments of borrowings		(11,457)	(22,142)	(37,022)	(21,087)	(32,374)
Deemed contribution		160	—	—	—	—
Contribution received from non-controlling interests		711	874	874	57	246
Dividends paid		(186)	(561)	(245)	(170)	—
Interest paid		(1,271)	(1,813)	(3,287)	(1,657)	(1,954)
Deemed distribution		(150)	(372)	(881)	—	—
Contribution received from Baosteel		—	—	195	—	—
Earthquake fund from Parent		—	—	57	—	—
Changes in restricted cash		188	90	(1,749)	(2,107)	(1,016)
Net cash generated from financing activities		7,336	15,049	13,549	8,563	12,001
Net increase in cash and cash equivalents		5,517	5,886	2,131	134	898
Cash and cash equivalents at beginning of the year/period		13,007	18,517	24,281	24,281	26,094
Exchange losses on cash and cash equivalents		(7)	(122)	(318)	(137)	(46)
Cash and cash equivalents at end of the year/period		18,517	24,281	26,094	24,278	26,946

II NOTES TO THE FINANCIAL INFORMATION

1. Principal activities, organisation and reorganisation

1.1 Principal activities

The Group is principally engaged in following activities:

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

1.2 Organisation and reorganisation

(a) The Company was established in the People's Republic of China (the "PRC" or "China") on 1 December 2008 as a joint stock company with limited liability as part of the reorganisation of China Metallurgical Group Corporation ("Parent") and its subsidiaries (collectively, the "Parent Group"). The address of the Company's registered office is No. 11 Gao Liang Qiao Xiejie, Haidian District, Beijing.

(b) Prior to the incorporation of the Company, the abovementioned principal activities were carried out by the Parent Group which is operating under the supervision and regulation of SASAC of the State Council.

(c) Pursuant to the Reorganisation, the principal operations and businesses of engineering and construction, equipment manufacturing, resources development, and property development (the "Core Operations") of the Parent Group were transferred to the Company.

(d) In consideration for Parent transferring the above Core Operations to the Company, the Company issued 12,870 million ordinary shares of RMB1.00 per share to Parent representing 99% of the entire registered and paid-up share capital of the Company. Accordingly, Parent became the holding company of the Company.

(e) In connection with the Reorganisation, the following assets and liabilities (the "Retained Operations") were not transferred to the Company and were retained by Parent:

   (i) operating assets and liabilities that were unrelated to the Core Operations, which primarily include manufacture and sale of paper and pulp, operations of certain social and community facilities such as hospitals, schools and hotels; and

   (ii) certain operating assets and liabilities historically associated with the Core Operations, which mainly represented companies and divisions engaged in minor ancillary construction related services.

(f) In addition, Baosteel, a state-owned enterprise subscribed for 130 million ordinary shares of RMB1.00 per share of the Company's registered share capital for a cash consideration of RMB194,463,000.

(g) The Reorganisation was effective on 1 December 2008, which is the date on which the Company, Parent and Baosteel signed the legally binding agreement that identified (i) all specific assets and liabilities to be transferred to the Company from Parent and (ii) the capital contribution in cash of RMB194,463,000 made by Baosteel.

2. Basis of presentation

2.1 The Company, Parent and Baosteel are all state-owned enterprises controlled and owned by SASAC. Accordingly, the Reorganisation has been accounted for as a reorganisation of business under common control transaction in a manner similar to a uniting of interests. The consolidated income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the Relevant Periods have been presented as if the current group structure had been in existence throughout the Relevant Periods and as if the Retained Operations as described in Note 1.2(e)(ii) were transferred to the Company by Parent at the beginning of the earliest period presented or since the date when the combining entities first came under the control of SASAC, whichever it is a shorter period. The consolidated balance sheets of the Group as at 31 December 2006 and 2007 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence and as if the Retained Operations as described in Note 1.2(e)(ii) were transferred to the Company by Parent as at those dates.

2.2 The Financial Information has not included the assets, liabilities and results of the operations that were unrelated to the Core Operations and were not transferred to the Company pursuant to the Reorganisation as described in Note 1.2(e)(i) above, on the basis that these companies are engaged in dissimilar businesses from those of the Group, have separate management personnel and accounting records and have been financed and operated historically as if they were autonomous.

2.3 The Financial Information however includes the assets, liabilities and results of the operations of the Retained Operations that were historically associated with the Core Operations as described in Note 1.2(e)(ii) because they could not be clearly distinguished from the Core Operations and were historically under common management and control. Although the aforementioned Retained Operations were not transferred to the Company, the Directors consider that the historical Financial Information should reflect all of the Group's core costs of doing businesses that had been part of the Group's businesses and operations.

The assets and liabilities of these Retained Operations that were historically associated with the Core Operations were accounted for as a distribution to Parent at the effective date of the Reorganisation.

The assets, liabilities and operating results of these Retained Operations that were included in the Financial Information as of 31 December 2006, 2007, 2008 and 30 June 2009 and during each of the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009 were summarised as follow:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Non-current assets	251	5,462	—	—
Current assets	211	2,795	—	—
Non-current liabilities	(401)	(651)	—	—
Current liabilities	(176)	(5,994)	—	—
Net assets	(115)	1,612	—	—

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Revenue	315	981	4,708	2,223	—
Loss for the year/period	(3)	(5)	(742)	(113)	—

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years/periods presented.

3.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standard Board.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5 below.

The following amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods, but the Group has not early adopted them:

- IASB's annual improvements project published in April 2009:
  - Amendment to IFRS 8 'Operating segments' (effective from 1 January 2010). Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The Group will apply IFRS 8 (amendment) from 1 January 2010. The amendment is not expected to have any material impact on the Group's financial statements;
  - Amendment to IAS 7 'Statement of cash flows' (effective from 1 January 2010). Only expenditures that result in a recognised asset are eligible for classification as investing activities. The Group will apply IAS 7 (amendment) from 1 January 2010. The amendment is not expected to have any material impact on the Group's financial statements;
  - Amendment to IAS 17 'Leases' (effective from 1 January 2010). The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group will apply IAS 17 (amendment) from 1 January 2010. The amendment is not expected to have any material impact on the Group's financial statements;
  - Amendment to IAS 36 'Impairment of assets' (effective from 1 January 2010). This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in IFRS 8. The Group will apply IAS 36

(amendment) from 1 January 2010. The amendment is not expected to have any impact on the Group's financial statements; and

- Amendment to IAS 38 'Intangible assets' (effective from 1 July 2009). This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. The Group will apply IAS 38 (amendment) from 1 January 2010. The amendment is not expected to have any material impact on the Group's financial statements.

3.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that the Group control ceases.

The transfer/acquisition of equity interests in subsidiaries which are regarded as common control combinations are accounted for in a manner similar to a uniting of interests. Assets and liabilities are transferred at book value, adjusted only to harmonise accounting policies, and no goodwill arises. Any difference between the consideration given and the aggregate book value of the assets and liabilities acquired (as of the date of the transaction) is included in equity. The Financial Information incorporates the acquired entity's results as if both entities (acquirer and acquiree) had always been combined. Consequently, the Financial Information reflects both entities' full year's results, even though the business combination may have occurred part of the way through the year. In addition, the corresponding amounts for the previous year also reflect the combined results of both entities, even though the transaction did not occur until the current year.

The acquisition method of accounting is used to account for business combinations other than common control combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 3.10(a)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the consolidated income statements.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses (Note 12). Dividend income is recognised when the right to receive payment is established.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In some cases, the percentage of equity interest in entities accounted for as associates exceeds 50% due to profit sharing arrangements. The Group does not control these entities because the proportion of voting rights held is less than 50%. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 3.11 for the impairment of non-financial assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statements, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President's office which makes strategic decisions.

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Renminbi ("RMB"), which is the Company's functional currency and the Group's and the Company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statements within "finance income or costs". All other foreign exchange gains and losses are presented in the consolidated income statements within "other gains-net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in equity.

(c) Group companies

The results and financial position of all the entities within the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to owners' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statements as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the consolidated income statements during the financial period in which they are incurred.

Other than mining structures, depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of each asset to its residual value over its estimated useful life, as follows:

- Buildings	15-40 years
- Plant and machinery	4-14 years
- Transportation equipment	5-12 years
- Furniture, office and other equipment	3-8 years

Mining structures (including the main and auxiliary mine shaft and underground tunnels) are depreciated over their expected total production on a unit of production basis using proved reserve. The proved reserve used for depreciation is restricted to the total production expected to be extracted during the licence/lease term.

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised within "other gains — net" in the consolidated income statements.

3.6 Deferred overburden removal costs

Overburden and other mine waste materials are often removed during the initial development of a mine site in order to access the mineral deposit. This activity is referred to as development stripping. The directly attributable costs (inclusive of an allocation of relevant overhead expenditure) are capitalised as development costs. Capitalisation of development stripping costs ceases, and depreciation of those capitalised costs commences, at the time that saleable materials begin to be extracted from the mine. Depreciation of capitalised development stripping costs is determined on a unit of production basis for each separate area of interest.

Removal of waste material normally continues throughout the life of a mine. This activity is referred to as production stripping and commences at the time that saleable materials begin to be extracted from the mine. The costs of production stripping are charged to the consolidated income statements as operating costs when the ratio of waste material to ore extracted from an area of interest is expected to be constant throughout its estimated life. When the ratio of waste to ore is not expected to be constant, production stripping costs are accounted for as follows:

- All costs are initially charged to the consolidated income statements and classified as operating costs;
- When the current ratio of waste to ore is greater than the estimated life-of-mine ratio, a portion of the stripping costs (inclusive of an allocation of relevant overhead expenditure) is capitalised; and

- In subsequent years when the ratio of waste to ore is less than the estimated life-of-mine ratio, a portion of capitalised stripping costs is charged to the consolidated income statements as operating costs.

The amount of production stripping costs capitalised or charged in consolidated income statements is determined so that the stripping expense for the financial year reflects the estimated life-of-mine ratio. Changes to the estimated life-of-mine ratio are accounted for prospectively from the date of the change.

Capitalised development stripping costs are classified as "Plant and machinery" and capitalised production stripping costs are classified as "Mining structures". These assets are considered in combination with other assets of an operation for the purpose of undertaking impairment assessment. Depreciation policy on these assets are described in Note 3.5.

3.7 Land use rights

Land use rights represent upfront operating lease payments made for the land and are stated at cost less accumulated amortisation and impairment loss. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 40 to 70 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use right.

3.8 Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment loss and are amortised on a units of production basis using proved reserves.

3.9 Properties

(a) Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies comprising the Group, is classified as investment property. Investment properties are stated at cost including related transaction costs, less accumulated depreciation and impairment losses. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statements during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

Depreciation is calculated using the straight-line method to amortise and write off the cost of the asset over a period ranging from 20 to 40 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in the consolidated income statements.

Rental income from investment property is recognised in the consolidated income statements on a straight-line basis over the term of the lease.

(b) Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise development expenditure, land use right, professional fees and interest capitalised. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property. On completion, the properties are transferred to completed properties held for sale.

(c) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to expected sales proceeds of completed properties sold in the ordinary course of business less all estimated selling expenses, or by management estimates based on prevailing marketing conditions.

3.10 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose.

(b) Patent and proprietary technologies

Patents and proprietary technologies are initially recorded at cost and are amortised on a straight-line basis over their useful lives of 5 to 20 years as stated in the contracts.

(c) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

(d) Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. In accordance with IFRIC 12, "Service concession arrangements", the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangible assets if the operator receives a right (a licence) to charge users of the public service, or as financial assets if paid by the granting authority. The Group classifies the non-current assets linked to the long-term investment in these concession arrangements as "concession assets" within intangible assets classification on the consolidated balance sheets. Once the underlying infrastructure of the concession arrangements has been completed, the concession assets will be amortised over the term of the concession of 30 years on the straight-line basis under the intangible asset model.

3.11 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (CGUs). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.12 Financial assets

3.12.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheets.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group assesses its intention and ability to hold its held-to-maturity investments to maturity at each subsequent balance sheet date. If the Group was to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted for two full annual reporting periods and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

3.12.2 Recognition and measurement

Purchases and sales of financial assets are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statements. Financial assets are derecognised when the right to receive cash flows from the investment have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value or at cost less provision for impairment if their fair value cannot be measured reliably. At each balance sheet date subsequent to initial recognition, loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method, less provision for impairment.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statements within "other gains — net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statements as part of "other income" when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statements as "Gain/(loss) on disposal of available-for-sale financial assets".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statements as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statements as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the consolidated income statements. Impairment losses of available-for-sale financial assets recognised in the consolidated income statements on equity instruments are not reversed through the consolidated income statements. An impairment loss is recognised in profit or loss when there is objective evidence that held-to-maturity financial assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses of held-to-maturity financial assets are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. Impairment testing of trade and other receivables is described in Note 3.14.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statements within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated income statements.

3.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.18 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statements over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.

3.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statements, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.20 Employee benefits

(a) Pension obligations

The full-time employees of the Group in the PRC are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group also provided supplementary pension subsidies to certain retired employees in the PRC. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees. The liability recognised in the consolidated balance sheets in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are charged or credited to the consolidated income statements immediately. Past-service costs are recognised immediately in the consolidated income statements.

(b) Other post-employment obligations

Some Group companies in the PRC provide post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of 10% of the defined benefit obligation, are charged or credited to the consolidated income statements immediately. These obligations are valued annually by independent qualified actuaries.

(c) Termination and early retirement benefits

Termination and early retirement benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and district of the employee concerned.

(d) Housing funds

All full-time employees of the Group in the PRC are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(e) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

3.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.22 Restoration and rehabilitation

The mining, extraction and processing activities normally give rise to obligations for site restoration and rehabilitation. Restoration and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; land rehabilitation; and site restoration. The extent of work required and the associated costs are dependent on the requirements of relevant authorities.

Provisions for the cost of each restoration and rehabilitation program are recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all restoration and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date.

Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

Restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are specific to the country in which the operation is located. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements.

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of restoration and rehabilitation activities is classified as "mining structures" and amortised over the estimated economic life of the operation on a units of production basis. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in finance charges.

Restoration and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the unamortised capitalised cost, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the consolidated income statements. Changes to the capitalised cost result in an adjustment to future amortisation charges. Adjustments to the estimated amount and timing of future restoration and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include revisions to estimated reserves, resources and lives of operations; development in technology; regulatory requirements and environmental management strategies; changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates; and movements in interest rates affecting the discount rate applied.

3.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statements on a straight-line basis over the expected lives of the related assets.

3.24 Contract work

Contract costs are recognised as expense in the period in which they are incurred. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount of profit to be recognised in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year/period in connection with the future activity of a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or prepayments, depending on their nature.

Contract work-in-progress is valued at the cost of the work done, plus the expected profit upon completion of the project in proportion to the progress made and less progress billings and provisions. Provisions are recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost. The cost includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, borrowing costs directly attributable to the relevant contracts, rental charges, maintenance costs for the equipment used and other direct costs.

Profits are not recognised unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project to project basis. For projects where the progress billings exceed the value of contract work-in-progress, the balance is recognised under current liabilities instead of under current assets. The respective balance sheet items are "amounts due to customers for contract work" and "amounts due from customers for contract work".

3.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the construction contracts and sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from construction and service contracts

When the outcome of a contract can be estimated reliably, revenue from construction and service contracts is recognized under the percentage of completion method and is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable and such contract costs is recognized as an expense in the period in which they are incurred.

Variation in contract work, claims and incentive payments are included in the contract revenue to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statements in the period in which the circumstances that give rise to the revision become known by management.

(b) Revenue from mining

Revenue from mining is recognised when the risks and rewards are transferred to the customers, which is at the date when the customer receives and accepts the goods and collectability of the related receivables is reasonably assured.

(c) Revenue from sales of properties

Revenue from sale of properties is recognised when the risks and rewards of the properties are transferred to the customers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of the related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets under current liabilities.

(d) Services rendered

Revenue for services rendered mainly includes technique development, design, consultation and supervision is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

(e) Sales of products

Sales of products are recognised when significant risks and rewards of ownership of the goods are transferred to the customers, and the customer has accepted the products and collectability of the related receivables is reasonably assured.

(f) Rental income

Rental income under operating leases of buildings is recognised on a straight-line basis over the lease term.

(g) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(h) Dividend income

Dividend income is recognised when the right to receive payment is established.

3.26 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) As a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

(b) As a lessor

Assets leased out under operating leases are included in property, plant and equipment and investment properties on the consolidated balance sheets.

3.27 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

3.28 Dividend distribution

Dividend distribution to the Group's equity holders is recognised as a liability in the Financial Information in the period in which the dividends are approved by the Group's equity holders or directors, where appropriate.

3.29 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is recognised initially at fair value, and subsequently measured (unless they are designated as at fair value through profit or loss) at higher of (i) the amount determined in accordance with IFRS 37, "Provisions, contingent liabilities and contingent assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the life of the guarantee on a straight-line basis.

4. Financial risk management

4.1 Financial risk factors

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

(a) Foreign exchange risk

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, there were also foreign currency denominated transactions arising from the Group's foreign operations and purchases of machinery and equipment from overseas suppliers. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

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") as at 31 December 2006, 2007 and 2008 and 30 June 2009.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. During the Relevant Periods, management did not consider it was necessary to enter into any hedging transactions in order to reduce the exposure to foreign exchange risk, because the exposure, after netting off the assets and liabilities subject to foreign exchange risk is not significant.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, if RMB had strengthened by 5% against US dollar respectively with all other variables held constant, which were considered reasonably possible at each of the dates by management, the profit after tax for each of the years ended 31 December 2006 and 2007 would have been approximately RMB39 million and RMB111 million lower respectively, and the profit after tax for the year ended 31 December 2008 and the six months ended 30 June 2009 would have been approximately RMB250 million and RMB175 million higher, mainly as a result of foreign exchange losses/gains on translation of US dollar-denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings; no other components of equity for the years and period would have been changed.

(b) Interest rate risk

The Group's exposure to interest rate risk relates principally to its restricted cash, cash and cash equivalents, trade and other receivables and borrowings. Restricted cash, cash and cash equivalents, trade and other receivables and borrowings at variable rates expose the Group to cash flow interest-rate risk, and those at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2006, 2007 and 2008 and 30 June 2009 approximately nil, RMB109 million, RMB208 million and RMB418 million of the Group's restricted cash, approximately RMB162 million, RMB401 million, RMB486 million and RMB511 million of the Group's cash and cash equivalents and approximately RMB21,045 million, RMB32,445 million, RMB20,904 million and RMB29,785 million of the Group's borrowings were at fixed rates, respectively. The interest rates and maturities of the Group's restricted cash, cash and cash equivalents, trade and other receivables and borrowings are disclosed in Notes 21, 22, 17 and 26 respectively.

To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. The interest rates and maturities of these borrowings were disclosed in Note 26.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, if the interest rates on RMB-denominated borrowings had been 27, 54, 54, and 54 basis points higher with all other variables held constant, which were considered reasonably possible at each of the dates by management, profit after income tax for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 would have been RMB4 million, RMB26 million, RMB82 million and RMB128 million lower, respectively, mainly as a result of higher interest expenses on bank borrowings and the amounts due to related parties; no other components of equity for the years and period would have been changed.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, if the interest rates on US dollar-denominated borrowings had been 50 basis points higher with all other variables held constant, which were considered reasonably possible at each of the dates by management, profit after income tax for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 would have been RMB2 million, RMB1 million, RMB5 million and RMB13 million lower, respectively, mainly as a result of higher interest expenses on bank borrowings and the amounts due to related parties; no other components of equity for the years and period would have been changed.

(c) Price risk

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

The following table details the Group's sensitivity to a 1% increase and 1% decrease in equity price on the available-for-sale financial assets or financial assets at fair value through profit or loss at each balance sheet date while all other variables were held constant. Management has used 1% to illustrate the equity price risk as the fluctuation in equity price is unpredictable.

	As at 31 December			As at 30 June
	2006	2007	2008	2009
Change in equity price	1%	1%	1%	1%

	For the year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Impact on profit attributable to equity holders of the Company				
Increase/(decrease) in profit attributable to equity holders of the Company for the year/period				
— as a result of increase in equity price	4	—	—	—
— as a result of decrease in equity price	(4)	—	—	—
Impact on equity				
Increase/(decrease) in equity for the year/period				
— as a result of increase in equity price	4	10	3	5
— as a result of decrease in equity price	(4)	(10)	(3)	(5)

(d) Credit risk

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

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

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 during the Relevant Periods.

(e) Liquidity risk

Prudent liquidity risk 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 a combination of funds generated from operations and bank and other borrowings.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 26(e). 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 and the Company'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.

Group

	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
As at 31 December 2006				
Borrowings	19,831	1,807	3,466	830
Trade and other payables	29,522	268	22	—
	49,353	2,075	3,488	830
As at 31 December 2007				
Borrowings	36,488	3,463	2,332	1,465
Trade and other payables	44,399	442	100	—
	80,887	3,905	2,432	1,465
As at 31 December 2008				
Borrowings	41,227	8,353	8,496	5,707
Trade and other payables	49,252	174	83	—
	90,479	8,527	8,579	5,707
As at 30 June 2009				
Borrowings	46,164	11,416	16,265	7,971
Trade and other payables	52,731	108	27	215
	98,895	11,524	16,292	8,186

Company

	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
As at 31 December 2008				
Borrowings	20,065	781	5,134	5,362
Trade and other payables	12,442	—	—	—
	32,507	781	5,134	5,362
As at 30 June 2009				
Borrowings	19,717	1,433	8,037	6,723
Trade and other payables	11,579	—	—	—
	31,296	1,433	8,037	6,723

4.2 Fair value estimation

The carrying amounts of the Group's financial assets, including cash and cash equivalents, deposits in approved financial institutions, trade and other receivables and financial liabilities including trade and other payables, short-term borrowings, approximate their fair values because of their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair values of non-current borrowings are disclosed in Note 26.

4.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings, as shown in the consolidated balance sheets, less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheets, plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at 31 December 2006, 2007 and 2008 and 30 June 2009 are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Total borrowings (Note 26)	24,133	40,869	57,439	73,090
Less: Cash and cash equivalents (Note 22)	(18,517)	(24,281)	(26,094)	(26,946)
Net debt	5,616	16,588	31,345	46,144
Total equity	2,254	6,475	7,655	8,505
Total capital	7,870	23,063	39,000	54,649
Gearing ratio	71%	72%	80%	84%

5. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom completely equal the final actual results theoretically. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method which requires estimations by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

The Group reviews and revises the estimates of both contract revenue and contract costs (including material costs) in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statements in the period in which the circumstances that give rise to the revision become known by management.

(b) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of assets

At each balance sheet date, the Group considers both internal and external sources of information to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised to reduce the carrying amount of the asset to its recoverable amount. Accordingly, there will be an impact to the future results if there is a significant change in the recoverable amounts of the assets.

(d) Current taxation and deferred taxation

The Group is subject to income taxes in several jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimates are changed.

(e) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(f) Pension and post employment obligations

The present value of the pension and post employment obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for provisions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year/period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government securities which have maturity approximating to the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 28.

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

The "others" segment mainly comprises trading for import and export and consulting services. Neither of these constitutes a separately reportable segment.

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

Segment assets consist primarily of property, plant and equipment, land use rights, mining rights, investment properties, intangible assets, investment in associates, held-to-maturity financial assets, other non-current 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 taxation, available-for-sale financial assets, and financial assets at fair value through profit or loss.

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

Capital expenditure comprises additions to property, plant and equipment (Note 7), land use rights (Note 8), mining rights (Note 9), investment properties (Note 10), and intangible assets (Note 11), including additions resulting from acquisitions through business combinations (Notes 7, 8 and 9).

The segment information provided to the President's office for the reportable segments is as follow:

(a) As at and for the year ended 31 December 2006:

The segment results for the year ended 31 December 2006 are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Segment revenue	75,186	5,374	9,114	731	1,659	(358)	91,706
Inter-segment revenue	(9)	(343)	—	—	(6)	358	—
Revenue	75,177	5,031	9,114	731	1,653	—	91,706
Segment result	3,573	716	151	48	29	—	4,517
Unallocated costs							(107)
Operating profit							4,410
Finance income							452
Finance costs							(1,030)
Share of profit of associates	26	—	—	—	—	—	26
Profit before income tax							3,858
Income tax expense							(651)
Profit for the year							3,207

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

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Depreciation (Notes 7, 10)	912	100	176	13	42	1,243
Amortisation (Notes 8, 9, 11)	18	3	17	15	1	54
Provision for impairment of property, plant and equipment (Note 7)	33	—	—	—	—	33
Provision for/(reversal of) impairment of inventories (Note 20)	1	4	(21)	—	—	(16)
Foreseeable losses on construction contracts (Note 33)	74	—	—	—	—	74
Provision for/(reversal of) impairment on trade and other receivables (Note 17)	128	44	311	(6)	—	477

The segment assets and liabilities as at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Assets							
Segment assets	65,083	6,281	11,219	7,984	583	(3,824)	87,326
Investments in associates	242	—	2	260	—	—	504
Unallocated assets							2,813
Total assets							90,643
Liabilities							
Segment liabilities	52,281	4,916	3,915	5,542	284	(3,824)	63,114
Unallocated liabilities							25,275
Total liabilities							88,389
Capital expenditure	3,442	550	2,366	672	125	—	7,155

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

	Assets	Liabilities
	RMB 'million	RMB 'million
Segment assets/liabilities	87,326	63,114
Investments in associates	504	—
Unallocated:		
Deferred tax	1,232	536
Current tax	—	606
Current borrowings	—	19,038
Non-current borrowings	—	5,095
Available-for-sale financial assets	1,200	—
Financial assets at fair value through profit or loss	381	—
Total	90,643	88,389

(b) As at and for the year ended 31 December 2007:

The segment results for the year ended 31 December 2007 are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Segment revenue	97,856	8,531	13,338	3,888	2,317	(874)	125,056
Inter-segment revenue	(518)	(225)	(63)	—	(68)	874	—
Revenue	97,338	8,306	13,275	3,888	2,249	—	125,056
Segment result	6,426	817	674	471	80	—	8,468
Unallocated costs							(113)
Operating profit							8,355
Finance income							382
Finance costs							(1,317)
Share of profit of associates	70	—	—	—	—	—	70
Profit before income tax							7,490
Income tax expense							(1,698)
Profit for the year							5,792

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

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Depreciation (Notes 7, 10)	918	130	312	19	9	1,388
Amortisation (Notes 8, 9, 11)	49	6	33	13	—	101
Provision for impairment of property, plant and equipment (Note 7)	5	—	—	—	—	5
Provision for impairment of inventories (Note 20)	5	—	126	—	—	131
Foreseeable losses on construction contracts (Note 33)	1	—	—	—	—	1
Provision for impairment on trade and other receivables (Note 17)	448	39	21	5	3	516

The segment assets and liabilities as at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Assets							
Segment assets	95,180	17,585	17,389	15,919	6,328	(15,662)	136,739
Investments in associates	285	—	2	320	—	—	607
Unallocated assets							3,377
Total assets							140,723
Liabilities							
Segment liabilities	69,905	12,530	9,317	9,583	5,169	(15,172)	91,332
Unallocated liabilities							42,916
Total liabilities							134,248
Capital expenditure	5,346	5,812	3,023	2,741	134	—	17,056

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

	Assets	Liabilities
	RMB 'million	RMB 'million
Segment assets/liabilities	136,739	91,332
Investments in associates	607	—
Unallocated:		
Deferred tax	988	1,045
Current tax	—	1,002
Current borrowings	—	34,894
Non-current borrowings	—	5,975
Available-for-sale financial assets	2,365	—
Financial assets at fair value through profit or loss	24	—
Total	140,723	134,248

(c) As at and for the year ended 31 December 2008:

The segment results for the year ended 31 December 2008 are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Segment revenue	128,041	15,649	9,538	4,199	2,400	(1,928)	157,899
Inter-segment revenue	(1,265)	(265)	(260)	—	(138)	1,928	—
Revenue	126,776	15,384	9,278	4,199	2,262	—	157,899
Segment result	5,511	562	240	271	17	(116)	6,485
Unallocated costs							(125)
Operating profit							6,360
Finance income							548
Finance costs							(3,005)
Share of profit of associates	115	—	—	5	—	—	120
Profit before income tax							4,023
Income tax expense							(840)
Profit for the year							3,183

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

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Depreciation (Notes 7, 10)	875	384	326	29	16	1,630
Amortisation (Notes 8, 9, 11)	117	11	33	1	13	175
Provision for impairment of inventories (Note 20)	18	128	448	—	50	644
Foreseeable losses on construction contracts (Note 33)	93	—	—	—	—	93
Provision for/(reversal of) impairment on trade and other receivables (Note 17)	430	(8)	(20)	1	4	407

The segment assets and liabilities as at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Assets							
Segment assets	122,651	14,067	20,634	23,969	9,977	(24,191)	167,107
Investments in associates	124	362	335	2	100	—	923
Unallocated assets							2,494
Total assets							170,524
Liabilities							
Segment liabilities	87,207	7,817	7,702	14,155	5,595	(18,442)	104,034
Unallocated liabilities							58,835
Total liabilities							162,869
Capital expenditure	7,496	2,877	3,782	725	70	—	14,950

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

	Assets	Liabilities
	RMB 'million	RMB 'million
Segment assets/liabilities	167,107	104,034
Investments in associates	923	—
Unallocated:		
Deferred tax	1,580	605
Current tax	—	791
Current borrowings	—	38,721
Non-current borrowings	—	18,718
Available-for-sale financial assets	912	—
Financial assets at fair value through profit or loss	2	—
Total	170,524	162,869

(d) For the six months ended 30 June 2008:

The unaudited segment results for the six months ended 30 June 2008 are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Segment revenue	59,894	7,584	5,406	1,057	1,123	(950)	74,114
Inter-segment revenue	(633)	(147)	(131)	—	(39)	950	—
Revenue	59,261	7,437	5,275	1,057	1,084	—	74,114
Segment result	3,159	394	424	78	10	(54)	4,011
Unallocated costs							(53)
Operating profit							3,958
Finance income							236
Finance costs							(1,261)
Share of profit of associates	52	—	—	—	—	—	52
Profit before income tax							2,985
Income tax expense							(605)
Profit for the period							2,380

The unaudited other segment items included in the consolidated income statements are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Depreciation (Notes 7, 10)	462	181	169	9	10	831
Amortisation (Notes 8, 9, 11)	49	12	22	—	—	83
Provision for impairment of inventories (Note 20)	—	—	122	—	—	122
Foreseeable losses on construction contracts (Note 33)	104	—	—	—	—	104
Provision for/(reversal of) impairment on trade and other receivables (Note 17)	323	(49)	16	—	—	290

(e) As at and for the six months ended 30 June 2009:

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

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Segment revenue	65,475	4,375	3,061	1,831	1,083	(959)	74,866
Inter-segment revenue	(805)	(30)	—	—	(124)	959	—
Revenue	64,670	4,345	3,061	1,831	959	—	74,866
Segment result	3,398	267	236	227	100	(36)	4,192
Unallocated costs							(31)
Operating profit							4,161
Finance income							229
Finance costs							(1,173)
Share of profit of associates	33	15	—	(8)	—	—	40
Profit before income tax							3,257
Income tax expense							(684)
Profit for the period							2,573

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

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Depreciation (Notes 7, 10)	431	90	238	9	11	779
Amortisation (Notes 8, 9, 11)	64	6	22	—	—	92
Provision for/(reversal of) impairment of inventories (Note 20)	3	—	(10)	—	—	(7)
Foreseeable losses on construction contracts (Note 33)	(10)	—	—	—	—	(10)
Provision for impairment on trade and other receivables (Note 17)	345	24	30	2	3	404

The segment assets and liabilities as at 30 June 2009 and capital expenditure for the period then ended are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Assets							
Segment assets	130,476	16,261	22,852	30,004	10,700	(29,503)	180,790
Investments in associates	763	16	2	317	—	—	1,098
Unallocated assets							2,795
Total assets							184,683
Liabilities							
Segment liabilities	84,473	8,306	5,424	14,327	8,530	(19,355)	101,705
Unallocated liabilities							74,473
Total liabilities							176,178
Capital expenditure	962	1,460	2,690	144	11	—	5,267

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

	Assets	Liabilities
	RMB 'million	RMB 'million
Segment assets/liabilities	180,790	101,705
Investments in associates	1,098	—
Unallocated:		
Deferred tax	1,695	629
Current tax	—	754
Current borrowings	—	42,645
Non-current borrowings	—	30,445
Available-for-sale financial assets	1,098	—
Financial assets at fair value through profit or loss	2	—
Total	184,683	176,178

(f) Revenue from external customers for each category is as follow:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Construction contracts	75,177	97,338	126,776	59,261	64,670
Sales of goods	14,876	25,469	28,861	13,769	9,237
Others (i)	1,653	2,249	2,262	1,084	959
	91,706	125,056	157,899	74,114	74,866

(i) Others mainly represented rendering of export and import and consulting service.

(g) Revenue from external customers in the PRC and other countries is as follow:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
The PRC	89,384	122,226	148,878	69,880	68,387
Other countries	2,322	2,830	9,021	4,234	6,479
	91,706	125,056	157,899	74,114	74,866

(h) The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the PRC is RMB17,270 million, RMB28,168 million, RMB30,618 million and RMB33,219 million, and the total of these non-current assets located in other countries is RMB11 million, RMB303 million, RMB6,831 million and RMB9,218 million, as at 31 December 2006, 2007 and 2008 and 30 June 2009 respectively.

(i) Total assets

Total assets are allocated based on the location of the assets as follows:

	As at 31 December			As at 30 June 2009
	2006	2007	2008	
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
The PRC	85,304	130,805	154,279	163,783
Other countries	2,526	6,541	13,751	18,105
	87,830	137,346	168,030	181,888
Unallocated assets	2,813	3,377	2,494	2,795
	90,643	140,723	170,524	184,683

(j) Capital expenditures

Capital expenditure is allocated based on where the assets are located.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
The PRC	6,989	16,629	13,515	3,692	5,176
Other countries	166	427	1,435	166	91
	7,155	17,056	14,950	3,858	5,267

7. Property, plant and equipment

Group

	Mining structure	Buildings	Plant and machinery	Transportation equipment	Furniture, office and other equipment	Construction-in-progress	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Cost							
At 1 January 2006	—	5,127	6,144	1,369	548	1,479	14,667
Additions	—	693	682	358	193	2,536	4,462
Attributable to acquisition of subsidiaries (Note 42)	—	164	646	11	—	104	925
Transfer upon completion	—	1,581	448	86	8	(2,123)	—
Disposals/write-off	—	(697)	(565)	(343)	(141)	—	(1,746)
Transfer to investment properties	—	(28)	—	—	—	—	(28)
At 31 December 2006	—	6,840	7,355	1,481	608	1,996	18,280
Additions	—	1,317	4,648	344	145	4,198	10,652
Attributable to acquisition of subsidiaries (Note 42)	37	80	54	15	1	41	228
Transfer upon completion	—	955	684	30	95	(1,764)	—
Disposals/write-off	(37)	(1,220)	(419)	(223)	(208)	—	(2,107)
Exchange differences	—	—	(52)	—	—	—	(52)
Attributable to disposal of subsidiaries	—	(39)	(97)	(40)	(3)	—	(179)
At 31 December 2007	—	7,933	12,173	1,607	638	4,471	26,822
Additions	33	340	1,068	242	142	6,413	8,238
Attributable to acquisition of subsidiaries (Note 42)	—	186	144	4	1	3	338
Transfer upon completion	3	1,356	1,396	16	52	(2,823)	—
Disposals/write-off	—	(1,051)	(415)	(137)	(181)	(77)	(1,861)
Attributable to disposal of subsidiaries	—	(3)	(1)	—	—	—	(4)
Exchange differences	—	—	(75)	—	—	—	(75)
Transfer to investment properties	—	(18)	—	—	—	—	(18)
Distribution to Parent	—	(343)	(3,692)	(22)	—	(702)	(4,759)
At 31 December 2008	36	8,400	10,598	1,710	652	7,285	28,681
Additions	—	56	240	107	25	4,320	4,748
Transfer upon completion	—	125	203	5	2	(335)	—
Disposals/write-off	—	(94)	(57)	(53)	(28)	—	(232)
Exchange differences	—	—	(39)	—	—	—	(39)
Transfer to investment properties	—	(3)	—	—	—	—	(3)
At 30 June 2009	36	8,484	10,945	1,769	651	11,270	33,155

Group

	Mining structure	Buildings	Plant and machinery	Transportation equipment	Furniture, office and other equipment	Construction-in-progress	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Accumulated depreciation							
At 1 January 2006	—	1,718	3,515	745	269	—	6,247
Depreciation charge for the year	—	448	509	180	87	—	1,224
Disposals/write-off	—	(282)	(552)	(266)	(103)	—	(1,203)
Transfer to investment properties	—	(7)	—	—	—	—	(7)
At 31 December 2006	—	1,877	3,472	659	253	—	6,261
Depreciation charge for the year	2	455	620	188	96	—	1,361
Disposals/write-off	(2)	(460)	(216)	(142)	(136)	—	(956)
Attributable to disposal of subsidiaries	—	(29)	(59)	(22)	(2)	—	(112)
At 31 December 2007	—	1,843	3,817	683	211	—	6,554
Depreciation charge for the year	4	498	799	196	105	—	1,602
Disposals/write-off	—	(429)	(165)	(125)	(75)	—	(794)
Transfer to investment properties	—	(2)	—	—	—	—	(2)
Distribution to Parent	—	(30)	(165)	(2)	—	—	(197)
At 31 December 2008	4	1,880	4,286	752	241	—	7,163
Depreciation charge for the period	2	208	408	104	46	—	768
Disposals/write-off	—	(55)	(14)	(31)	(24)	—	(124)
Transfer to investment properties	—	(1)	—	—	—	—	(1)
At 30 June 2009	6	2,032	4,680	825	263	—	7,806

Group

	Mining structure	Buildings	Plant and machinery	Transportation equipment	Furniture, office and other equipment	Construction-in-progress	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Impairment provision							
At 1 January 2006	—	21	24	11	2	—	58
Impairment charge for the year	—	17	14	1	1	—	33
Disposals	—	(3)	(8)	(3)	—	—	(14)
At 31 December 2006	—	35	30	9	3	—	77
Impairment charge for the year	—	2	—	3	—	—	5
Disposals	—	(5)	(5)	(7)	—	—	(17)
At 31 December 2007	—	32	25	5	3	—	65
Disposals	—	(15)	(14)	(2)	(2)	—	(33)
At 31 December 2008	—	17	11	3	1	—	32
At 30 June 2009	—	17	11	3	1	—	32
Net book value							
At 31 December 2006	—	4,928	3,853	813	352	1,996	11,942
At 31 December 2007	—	6,058	8,331	919	424	4,471	20,203
At 31 December 2008	32	6,503	6,301	955	410	7,285	21,486
At 30 June 2009	30	6,435	6,254	941	387	11,270	25,317

(a) Depreciation of the Group's property, plant and equipment has been charged to the consolidated income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Cost of sales	945	1,068	1,204	614	576
Administrative expenses	274	281	386	194	184
Selling and marketing expenses	5	12	12	6	8
	1,224	1,361	1,602	814	768

(b) Bank borrowings are secured by certain property, plant and equipment of the Group with an aggregate carrying value of approximately RMB1,670 million, RMB1,683 million, RMB1,248 million and RMB1,252 million as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively (Note 26).

8. Land use rights

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Cost				
At beginning of the year/period	1,439	2,158	3,418	6,047
Additions	1,555	5,261	4,817	630
Attributable to acquisition of subsidiaries (Note 42)	—	—	268	—
Disposals	(24)	(318)	(217)	(52)
Transfer to investment properties	—	—	(4)	—
Transfer to properties under development	(812)	(3,683)	(1,648)	(355)
Distribution to Parent	—	—	(587)	—
At end of the year/period	2,158	3,418	6,047	6,270
Accumulated amortisation				
At beginning of the year/period	108	139	183	280
Amortisation for the year/period	41	79	142	70
Disposals	(6)	(23)	(31)	(5)
Transfer to properties under development	(4)	(12)	—	—
Distribution to Parent	—	—	(14)	—
At end of the year/period	139	183	280	345
Net book value	2,019	3,235	5,767	5,925

The Group's interests in land use rights represent prepaid operating lease payments. All of the Group's land use rights are located in the PRC and are with the lease periods as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Leases of between 10 to 50 years	1,793	2,827	4,584	4,585
Leases of over 50 years	226	408	1,183	1,340
	2,019	3,235	5,767	5,925

(a) Amortisation of the Group's land use rights has been charged to the consolidated income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Administrative expenses	41	79	142	70	70

(b) Bank borrowings are secured by certain land use rights of the Group with an aggregate carrying value of approximately RMB917 million, RMB867 million, RMB1,453 million and RMB1,348 million as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively (Note 26).

9. Mining rights

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Cost				
At beginning of the year/period	—	241	359	3,531
Additions	11	15	3,207	—
Attributable to acquisition of subsidiaries (Note 42)	230	124	—	—
Exchange differences	—	(21)	(35)	(7)
At end of the year/period	241	359	3,531	3,524
Accumulated amortisation				
At beginning of the year/period	—	—	6	12
Amortisation for the year/period	—	6	6	3
At end of the year/period	—	6	12	15
Net book value	241	353	3,519	3,509

10. Investment properties

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Cost				
At beginning of the year/period	452	646	541	497
Additions	166	15	69	—
Transfer from property, plant and equipment	28	—	18	3
Transfer from land use rights	—	—	4	—
Disposals	—	(120)	(135)	(20)
At end of the year/period	646	541	497	480
Accumulated depreciation				
At beginning of the year/period	109	135	136	153
Depreciation charge for the year/period	19	27	28	11
Transfer from property, plant and equipment	7	—	2	1
Disposals	—	(26)	(13)	(9)
At end of the year/period	135	136	153	156
Impairment provision				
At beginning of the year/period	3	13	13	1
Additions	10	—	—	—
Disposals	—	—	(12)	—
At end of the year/period	13	13	1	1
Net book value	498	392	343	323
Fair value(a)	1,560	1,694	1,424	1,408

(a) The investment properties are valued by Jones Lang LaSalle Sallmanns Limited, an independent valuer. Valuations are based on current price in an active market for all investment properties, except for those located in areas where such information is not available, where discounted cash flow projections are used.

(b) All of the Group's investment properties are located in the PRC and have lease periods of between 10 to 40 years.

(c) The following amounts have been recognised in the consolidated income statements:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Rental income	124	134	167	81	68
Depreciation recorded as other expenses	19	27	28	17	11

11. Intangible assets

Group

	Goodwill	Patent and proprietary technologies	Purchased computer software	Concession assets	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Cost					
At 1 January 2006	10	3	25	—	38
Additions	586	10	20	16	632
At 31 December 2006	596	13	45	16	670
Additions	488	3	14	1,162	1,667
Exchange differences	(29)	—	—	—	(29)
At 31 December 2007	1,055	16	59	1,178	2,308
Additions	25	11	46	1,305	1,387
Exchange differences	(42)	—	—	—	(42)
Disposals	—	(1)	(9)	—	(10)
At 31 December 2008	1,038	26	96	2,483	3,643
Additions	—	9	11	611	631
Exchange differences	(21)	—	—	—	(21)
Disposals	—	(3)	(3)	—	(6)
At 30 June 2009	1,017	32	104	3,094	4,247
Accumulated amortisation					
At 1 January 2006	—	1	7	—	8
Amortisation for the year	—	5	8	—	13
At 31 December 2006	—	6	15	—	21
Amortisation for the year	—	4	11	1	16
At 31 December 2007	—	10	26	1	37
Amortisation for the year	—	5	16	6	27
Disposals	—	—	(7)	—	(7)
At 31 December 2008	—	15	35	7	57
Amortisation for the period	—	2	12	5	19
Disposals	—	—	(3)	—	(3)
At 30 June 2009	—	17	44	12	73
Net book value					
At 31 December 2006	596	7	30	16	649
At 31 December 2007	1,055	6	33	1,177	2,271
At 31 December 2008	1,038	11	61	2,476	3,586
At 30 June 2009	1,017	15	60	3,082	4,174

(a) Amortisation of the Group's intangible assets for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 amounting to RMB13 million, RMB16 million, RMB27 million, RMB11 million and RMB19 million has been charged to the consolidated income statements as administrative expenses, respectively.

(b) For the purposes of impairment testing, goodwill has been allocated to 7, 14, 17 and 17 individual cash generating units ("CGU") which comprise 7, 14, 17 and 17 subsidiaries arising from business combinations other than common control combinations as set out in Note 42 for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, respectively. The carrying amounts of goodwill as at 31 December 2006, 2007 and 2008 and 30 June 2009 which were allocated to the significant CGU in comparison with the Group's total carrying amount of goodwill were as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Beijing Guangyuanli Real Estate Development Co., Ltd(i)	171	171	171	171
MCC Minera Sierra Grande S.A.(ii)	312	283	241	220
Beijing Hargongda Yataikongjian Real Estate Development Co., Ltd(iii)	—	318	318	318

None of the goodwill of other CGUs is significant in comparison with the Group's total carrying amount of goodwill.

(i) The recoverable amount is determined based on value-in-use calculations. The recoverable amount is based on certain similar key assumptions. Value-in-use calculations use cash flow projections based on financial forecasts approved by the management covering a 5-year period. Cash flows beyond the five-year period are extrapolated using the expected growth rates. Cash flow projections during the forecast period for the CGU are based on the expected growth rate and gross margin during the forecast period. Forecast growth rate is based on expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development. The pre-tax discount rate used in value-in-use calculation is 7.5%.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, management of the Group is of the view that there was no impairment of goodwill and believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

(ii) The recoverable amount is determined based on value-in-use calculations. The recoverable amount is based on certain similar key assumptions. Value-in-use calculations use cash flow projections based on financial forecasts approved by the management covering a 5-year period, and a pre-tax discount rate of 10%. Cash flow projections during the forecast period for the CGU are based on the expected growth rate gross margin during the forecast period. Forecast growth rate is based on the expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, management of the Group is of the view that there was no impairment of goodwill and believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

(iii) The recoverable amount is determined based on fair value less costs to sell as the Company has entered into agreement to sell the business. Fair value less costs to sell was based on a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the business.

As at 31 December 2007 and 2008 and 30 June 2009, management of the Group is of the view that there was no impairment of goodwill and believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

12. Investments in subsidiaries

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Unlisted investments, at cost	37,620	42,330

Particulars of the Company's principal subsidiaries are set out in Note 48.

13. Investments in associates

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Share of net assets	504	607	923	1,098

(a) Movements of investment in associates are set out as follows:

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	913	504	607	923
Additions	113	108	262	120
Attributable to acquisition of subsidiaries (Note 42)	3	—	—	—
Transfer from investments in subsidiaries	—	—	—	16
Share of profit	26	70	120	40
Dividend distribution	(8)	(14)	(45)	(1)
Disposals	(232)	(17)	(21)	—
Transfer to available-for-sale financial assets	(311)	—	—	—
Transfer to subsidiaries	—	(44)	—	—
At end of year/period	504	607	923	1,098

(b) The Group's share of the results of its associates, all of which are unlisted, and its share of the aggregated assets and liabilities are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Total assets	1,052	1,631	2,920	3,427
Total liabilities	(539)	(1,015)	(1,984)	(2,301)
Non-controlling interests	(9)	(9)	(13)	(28)
	504	607	923	1,098

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Revenue	102	493	1,244	875	1,214
Profit for the year/period	26	70	120	52	40

There are no material contingent liabilities and commitments relating to the Group's interests in the associates and no material contingent liabilities and commitments of the associates themselves. Particulars of the Group's principal associates are set out in Note 48.

14. Financial instruments by category

Group

	Loans and receivables	Assets at fair value through profit or loss	Held-to-maturity	Available-for-sale	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 31 December 2006					
Assets as per consolidated balance sheets					
Available-for-sale financial assets (Note 15)	—	—	—	1,200	1,200
Held-to-maturity financial assets (Note 16)	—	—	100	—	100
Trade receivables (Note 17)	21,436	—	—	—	21,436
Deposits and other receivables (Note 17)	4,797	—	—	—	4,797
Financial assets at fair value through profit or loss (Note 18)	—	381	—	—	381
Restricted cash (Note 21)	612	—	—	—	612
Cash and cash equivalents (Note 22)	18,517	—	—	—	18,517
Total	45,362	381	100	1,200	47,043

	Other financial liabilities	Total
	RMB 'million	RMB 'million
Liabilities as per consolidated balance sheets		
Borrowings (Note 26)	24,133	24,133
Trade payables (Note 25)	26,405	26,405
Accrued expenses, deposits payable and other payables (Note 25)	3,407	3,407
Total	53,945	53,945

Group

	Loans and receivables	Assets at fair value through profit or loss	Held-to-maturity	Available-for-sale	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 31 December 2007					
Assets as per consolidated balance sheets					
Available-for-sale financial assets (Note 15)	—	—	—	2,365	2,365
Held-to-maturity financial assets (Note 16)	—	—	500	—	500
Trade receivables (Note 17)	30,267	—	—	—	30,267
Deposits and other receivables (Note 17)	5,985	—	—	—	5,985
Financial assets at fair value through profit or loss (Note 18)	—	24	—	—	24
Restricted cash (Note 21)	522	—	—	—	522
Cash and cash equivalents (Note 22)	24,281	—	—	—	24,281
Total	61,055	24	500	2,365	63,944

	Other financial liabilities	Total
	RMB 'million	RMB 'million
Liabilities as per consolidated balance sheets		
Borrowings (Note 26)	40,869	40,869
Trade payables (Note 25)	38,896	38,896
Accrued expenses, deposits payable and other payables (Note 25)	6,045	6,045
Total	85,810	85,810

Group

	Loans and receivables	Assets at fair value through profit or loss	Held-to-maturity	Available-for-sale	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 31 December 2008					
Assets as per consolidated balance sheets					
Available-for-sale financial assets (Note 15)	—	—	—	912	912
Held-to-maturity financial assets (Note 16)	—	—	46	—	46
Trade receivables (Note 17)	32,939	—	—	—	32,939
Deposits and other receivables (Note 17)	6,583	—	—	—	6,583
Financial assets at fair value through profit or loss (Note 18)	—	2	—	—	2
Restricted cash (Note 21)	2,271	—	—	—	2,271
Cash and cash equivalents (Note 22)	26,094	—	—	—	26,094
Total	67,887	2	46	912	68,847

	Other financial liabilities	Total
	RMB 'million	RMB 'million
Liabilities as per consolidated balance sheets		
Borrowings (Note 26)	57,439	57,439
Trade payables (Note 25)	40,211	40,211
Accrued expenses, deposits payable, amounts due to Parent and other payables (Note 25)	9,298	9,298
Total	106,948	106,948

Group

	Loans and receivables	Assets at fair value through profit or loss	Held-to-maturity	Available-for-sale	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 30 June 2009					
Assets as per consolidated balance sheets					
Available-for-sale financial assets (Note 15)	—	—	—	1,098	1,098
Held-to-maturity financial assets (Note 16)	—	—	148	—	148
Trade receivables (Note 17)	35,596	—	—	—	35,596
Deposits and other receivables (Note 17)	7,428	—	—	—	7,428
Financial assets at fair value through profit or loss (Note 18)	—	2	—	—	2
Restricted cash (Note 21)	3,287	—	—	—	3,287
Cash and cash equivalents (Note 22)	26,946	—	—	—	26,946
Total	73,257	2	148	1,098	74,505

	Other financial liabilities	Total
	RMB 'million	RMB 'million
Liabilities as per consolidated balance sheets		
Borrowings (Note 26)	73,090	73,090
Trade payables (Note 25)	43,607	43,607
Accrued expenses, deposits payable, amounts due to Parent and other payables (Note 25)	9,474	9,474
Total	126,171	126,171

Company

	Loans and receivables	Total
	RMB 'million	RMB 'million
As at 31 December 2008,		
Assets as per balance sheet		
Trade receivables (Note 17)	1,481	1,481
Amounts due from subsidiaries and other receivables (Note 17)	17,478	17,478
Cash and cash equivalents (Note 22)	3,636	3,636
Total	22,595	22,595

	Other financial liabilities	Total
	RMB 'million	RMB 'million
Liabilities as per balance sheet		
Borrowings (Note 26)	27,686	27,686
Trade payables (Note 25)	178	178
Interest payable, amounts due to Parent, subsidiaries and other payables (Note 25)	12,264	12,264
Total	40,128	40,128

Company

	Loans and receivables	Total
	RMB 'million	RMB 'million
As at 30 June 2009		
Assets as per balance sheet		
Trade receivables (Note 17)	2,077	2,077
Amounts due from subsidiaries and other receivables (Note 17)	17,520	17,520
Cash and cash equivalents (Note 22)	2,470	2,470
Total	22,067	22,067

	Other financial liabilities	Total
	RMB 'million	RMB 'million
Liabilities as per balance sheet		
Borrowings (Note 26)	31,725	31,725
Trade payables (Note 25)	109	109
Interest payable, amounts due to Parent, subsidiaries and other payables (Note 25)	11,470	11,470
Total	43,304	43,304

15. Available-for-sale financial assets

Group

(a) Movements of the Group's available-for-sale financial assets are set out as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	592	1,200	2,365	912
Additions	73	104	64	1
Transfer from investment in associates	311	—	—	—
Disposals	(166)	(396)	(969)	(58)
Net fair value gains/(losses) transferred to equity	390	1,457	(548)	243
At end of year/period	1,200	2,365	912	1,098
Less: non-current portion	(1,127)	(2,310)	(900)	(1,091)
Current portion	73	55	12	7

(b) Available-for-sale financial assets include the following:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Listed securities				
— Equity securities — China	566	1,720	301	498
Unlisted securities				
— Equity securities — China	634	645	611	600
	1,200	2,365	912	1,098
Market value of listed securities	566	1,720	301	498

(c) All available-for-sale financial assets are denominated in RMB.

16. Held-to-maturity financial assets

Group

(a) The movement of the Group's held-to-maturity financial assets are set out as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	92	100	500	46
Additions	5	469	43	341
Accrued interest	3	1	3	1
Settlement upon maturity	—	(70)	(500)	(240)
At end of year/period	100	500	46	148
Less: non-current portion	(17)	(44)	(46)	(47)
Current portion	83	456	—	101

There were no impairment provisions on held-to-maturity financial assets for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009.

(b) The fair value of held-to-maturity financial assets is based on quoted market bid prices. The carrying amount of the held-to-maturity financial assets as at 31 December 2006, 2007 and 2008 and 30 June 2009 approximates their fair values.

(c) All held-to-maturity financial assets are denominated in RMB.

17. Trade and other receivables

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Trade receivables				
Trade receivables	17,806	23,724	26,895	29,288
Retentions	255	301	839	1,121
Notes receivables	3,375	6,242	5,205	5,187
	21,436	30,267	32,939	35,596

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Less: Provision for impairment	(3,125)	(2,787)	(2,199)	(2,529)
Trade receivables — net	18,311	27,480	30,740	33,067
Other receivables				
Prepayments to suppliers	8,365	18,528	21,393	18,387
Deposits	2,448	3,259	3,439	4,085
Amounts due from related parties and third parties	1,433	1,916	2,512	2,795
Staff advances	277	218	367	682
Prepayment for investments	—	—	—	3,504
Others	916	810	632	548
	13,439	24,731	28,343	30,001
Less: Provision for impairment	(1,925)	(105)	(566)	(638)
Other receivables — net	11,514	24,626	27,777	29,363
Total trade and other receivables	29,825	52,106	58,517	62,430
Less: Non-current portion				
— Trade receivables	(1,103)	(1,020)	(895)	(863)
— Retentions	(255)	(301)	(839)	(1,121)
	(1,358)	(1,321)	(1,734)	(1,984)
Current portion	28,467	50,785	56,783	60,446

Please refer to Note 47 for the Group's trade and other receivables due from related parties.

The carrying amounts of the current portion of the Group's trade and other receivables at 31 December 2006, 2007 and 2008 and 30 June 2009 approximate their fair values. In addition, the fair value of the non-current trade and other receivables as at 31 December 2006, 2007 and 2008 and 30 June 2009 are RMB1,277 million, RMB1,225 million, RMB1,678 million and RMB1,931 million, respectively.

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Trade receivables		
Trade receivables	1,136	1,943
Notes receivables	345	134
	1,481	2,077
Less: Provision for impairment	(8)	(9)
Trade receivables — net	1,473	2,068
Other receivables		
Prepayments to suppliers	286	252
Amounts due from subsidiaries	16,648	16,720
Prepayment for investments	—	1,504
Others	830	800
	17,764	19,276
Less: Provision for impairment	(52)	(52)
Other receivables — net	17,712	19,224
Total trade and other receivables	19,185	21,292
Less: Non-current portion		
— Trade receivables	(895)	(655)
Current portion	18,290	20,637

Please refer to Note 47 for the Company's trade and other receivables due from related parties.

The carrying amounts of the current portion of the Company's trade and other receivables at 31 December 2008 and 30 June 2009 approximate their fair values. In addition, the fair value of the non-current trade and other receivables as at 31 December 2008 and 30 June 2009 are RMB881 million and RMB633 million, respectively.

(a) Ageing analysis of the trade receivables are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Less than 1 year	16,679	24,920	26,262	25,875
1 year to 2 years	2,187	2,672	4,009	6,289
2 years to 3 years	794	769	1,066	1,696
3 years to 4 years	703	458	466	487
4 years to 5 years	459	479	351	445
Over 5 years	614	969	785	804
Trade receivables — gross	21,436	30,267	32,939	35,596
Less: Provision for impairment	(3,125)	(2,787)	(2,199)	(2,529)
Trade receivables — net	18,311	27,480	30,740	33,067

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Less than 1 year	645	1,162
1 year to 2 years	57	127
2 years to 3 years	266	52
3 years to 4 years	136	230
4 years to 5 years	172	134
Over 5 years	205	372
Trade receivables — gross	1,481	2,077
Less: Provision for impairment	(8)	(9)
Trade receivables — net	1,473	2,068

Settlement of trade receivables generated through engineering and construction services is made in accordance with terms specified in the contracts governing the relevant transactions. The Group and the Company do not hold any collateral as security.

(b) Credit risk of trade and other receivables categorised as financial assets, including trade receivables, deposits, loans to related parties and third parties and others, is analysed by class of financial assets in Note 17 (c), (d) and (e) below.

(c) As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group's trade and other receivables of RMB11,336 million, RMB15,104 million, RMB23,151 million and RMB24,619 million, respectively, were fully performing. As at 31 December 2008 and 30 June 2009, the Company's trade and other receivables of RMB18,666 million and RMB19,278 million respectively, were fully performing. Trade and other receivables that were fully performing mainly represent those due from customers with good credit history and low default rate. None of trade and other receivables that were fully performing has been renegotiated during the Relevant Periods.

(d) As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group's trade and other receivables of approximately RMB9,099 million, RMB17,202 million, RMB12,693 million and RMB13,915 million respectively were past due but not impaired. As at 31 December 2008 and 30 June 2009, the Company's trade and other receivables of approximately RMB81 million and RMB94 million respectively were past due but not impaired. These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade and other receivables is as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Less than 1 year	8,554	16,172	11,697	12,796
1 year to 2 years	354	669	484	771
2 years to 3 years	183	346	501	321
3 years to 4 years	7	14	10	25
4 years to 5 years	1	1	1	2
Total	9,099	17,202	12,693	13,915

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Less than 1 year	81	94

(e) As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group's trade and other receivables of approximately RMB5,798 million, RMB3,946 million, RMB3,678 million and RMB4,490 million respectively were wholly or partially impaired. The amounts of the related provisions for impairment of these receivables were approximately RMB5,050 million, RMB2,892 million, RMB2,765 million and RMB3,167 million, respectively. As at 31 December 2008 and 30 June 2009, the Company's trade and other receivables of approximately RMB212 million and RMB225 million respectively were wholly or partially impaired. The amounts of the related provisions for impairment of these receivables were approximately RMB60 million and RMB61 million, respectively. The ageing analysis of these impaired trade and other receivables are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Less than 1 year	1,132	662	802	1,421
1 year to 2 years	934	652	446	784
2 years to 3 years	621	510	631	415
3 years to 4 years	750	458	500	548
4 years to 5 years	471	496	373	494
Over 5 years	1,890	1,168	926	828
Total	5,798	3,946	3,678	4,490

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Less than 1 year	150	164
1 year to 2 years	10	9
Over 5 years	52	52
Total	212	225

(f) The movements of provision for impairment of trade and other receivables are as follows:

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	4,586	5,050	2,892	2,765
Additions	542	691	425	427
Write-off	(13)	(2,674)	(534)	(2)
Write-back	(65)	(175)	(18)	(23)
At end of year/period	5,050	2,892	2,765	3,167

Company

	For the period from 1 December 2008 to 31 December 2008	Six months ended 30 June 2009
	RMB 'million	RMB 'million
At beginning of period	53	60
Additions	7	1
At end of period	60	61

(g) The carrying amounts of the Group and the Company's trade and other receivables are denominated in the following currencies:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
RMB	27,616	49,570	57,427	59,580
US dollar	2,171	2,391	1,050	2,725
Others	38	145	40	125
	29,825	52,106	58,517	62,430

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
RMB	16,074	17,034
US dollar	3,111	4,256
Others	—	2
	19,185	21,292

18. Financial assets at fair value through profit or loss

Group

	Investments in listed equity securities in China
	RMB 'million
At 1 January 2006	245
Additions	481
Disposals	(429)
Increase in fair value through profit or loss	84
At 31 December 2006	381
Additions	1,400
Disposals	(1,768)
Increase in fair value through profit or loss	11
At 31 December 2007	24
Additions	71
Disposals	(93)
At 31 December 2008	2
Additions	8
Disposals	(8)
At 30 June 2009	2

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains — net" in the consolidated income statements (Note 32).

The fair value of all equity securities is based on their current bid prices in an active market.

The carrying amounts of the financial assets at fair value through profit or loss at 31 December 2006, 2007 and 2008 and 30 June 2009 are equal to their market values.

19. Contract work-in-progress

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Contract cost incurred plus recognised profit less recognised losses	138,539	166,295	251,351	279,018
Less: Progress billings	(133,797)	(164,428)	(248,468)	(270,848)
Contract work-in-progress	4,742	1,867	2,883	8,170
Representing:				
Amounts due from customers for contract work	11,131	11,918	16,913	19,186
Amounts due to customers for contract work	(6,389)	(10,051)	(14,030)	(11,016)
	4,742	1,867	2,883	8,170

Group

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Contract revenue recognised as revenue	70,911	93,295	123,680	58,116	63,736

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Contract cost incurred plus recognised profit less recognised losses	1,834	2,495
Less: Progress billings	(2,212)	(3,358)
Contract work-in-progress	(378)	(863)
Representing:		
Amounts due from customers for contract work	25	13
Amounts due to customers for contract work	(403)	(876)
	(378)	(863)

	For the period from 1 December 2008 to 31 December 2008	Six months ended 30 June 2009
	RMB 'million	RMB 'million
Contract revenue recognised as revenue	252	661

20. Inventories, properties under development and completed properties held for sale

(a) Inventories

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Raw materials	3,058	4,835	6,509	5,364
Work-in-progress	1,468	3,129	2,307	2,764
Finished goods	1,288	1,420	2,296	1,978
	5,814	9,384	11,112	10,106

The movement of provision for impairment of inventories is as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	94	75	205	728
Additions	6	131	652	7
Write-off	(3)	(1)	(121)	(543)
Write-back	(22)	—	(8)	(14)
At end of year/period	75	205	728	178

The provision for impairment and write-back have been expense-off in the consolidated income statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009.

(b) Properties under development

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	2,165	5,663	11,025	16,995
Additions	1,442	5,509	7,537	2,925
Attributable to acquisition of subsidiaries (Note 42)	1,713	2,534	—	—
Transfer from land use rights	808	3,671	1,648	355
Transfer to completed properties held for sale	(465)	(3,341)	(2,768)	(1,854)
Attributable to disposal of subsidiaries	—	(3,011)	(447)	—
At end of year/period	5,663	11,025	16,995	18,421

The analyses as at 31 December 2006, 2007 and 2008 and 30 June 2009 of the properties under development are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Land use rights	1,284	5,101	6,651	6,873
Development costs	4,169	5,370	9,357	10,439
Finance costs capitalised	210	554	987	1,109
	5,663	11,025	16,995	18,421

Group

Movements of land use rights in properties under development are as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	204	1,284	5,101	6,651
Amortisation of land use rights	(18)	(20)	(11)	(6)
Attributable to acquisition of subsidiaries	321	236	—	—
Transfer from land use rights	808	3,671	1,648	355
Transfer to completed properties held for sale	(31)	(70)	(87)	(127)
At end of year/period	1,284	5,101	6,651	6,873

As at 31 December 2006, 2007 and 2008 and 30 June 2009, certain properties under development with carrying value of RMB2,422 million, RMB2,672 million, RMB4,987 million and RMB4,886 million, are pledged as securities for long-term bank borrowings of RMB1,840 million, RMB1,915 million, RMB4,149 million and RMB2,701 million respectively.

(c) Completed properties held for sale

The analyses as at 31 December 2006, 2007 and 2008 and 30 June 2009 of the completed properties held for sale are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Land use rights	7	5	19	127
Development costs	227	441	331	753
Finance costs capitalised	11	14	17	31
	245	460	367	911

Movements of land use rights in completed properties held for sale are as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	8	7	5	19
Transfer from properties under development	31	70	87	127
Transfer to cost of sales	(32)	(72)	(73)	(19)
At end of year/period	7	5	19	127

The cost of inventories, properties under development and completed properties held for sale recognised as expenses and included in "cost of sales" amounted to RMB23,393 million, RMB32,876 million, RMB23,343 million, RMB13,421 million and RMB10,384 million for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively.

21. Restricted cash

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Restricted cash	612	522	2,271	3,287

All the Group's restricted cash are denominated in RMB.

The restricted cash is held in dedicated bank accounts mainly for the issuance of bank acceptance notes to suppliers.

The weighted average effective interest rates per annum on restricted cash, with maturities ranging from 6 months to 1 year, were approximately 2.24%, 3.00%, 3.76% and 2.12% as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively.

The maximum exposure to credit risk approximates the carrying amounts of the Group's restricted cash at the respective balance sheet dates.

22. Cash and cash equivalents

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Cash at bank and in hand	14,653	21,135	22,163	22,557
Bank deposits	3,864	2,905	3,488	4,329
Other bank deposits from financial institutions	—	241	443	60
Cash and cash equivalents	18,517	24,281	26,094	26,946
Denominated in:				
— RMB	17,672	21,734	23,652	24,164
— US dollar	792	1,890	844	1,538
— Others	53	657	1,598	1,244
	18,517	24,281	26,094	26,946

The maximum exposure to credit risk approximates the carrying amounts of the Group's cash and cash equivalents at the respective balance sheet dates.

The weighted average effective interest rates per annum on bank deposits were approximately 2.08%, 2.77%, 3.56% and 1.98% as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively.

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Cash at bank and in hand	3,636	2,470
Denominated in:		
— RMB	3,636	2,469
— Others	—	1
	3,636	2,470

The maximum exposure to credit risk approximates the carrying amounts of the Company's cash and cash equivalents at the respective balance sheet dates.

23. Share capital

	As at 31 December 2008		As at 30 June 2009	
	Number of shares	Share capital	Number of shares	Share capital
	(million)	RMB 'million	(million)	RMB 'million
Registered, issued and fully paid				
— State legal person shares of RMB 1.00 each	13,000	13,000	13,000	13,000

The Company was established on 1 December 2008, with an initial registered share capital of RMB13,000 million, divided into 13,000 million shares with a nominal value of RMB1.00 each. 12,870 million state legal person shares were issued to Parent in consideration for the transfer of the Core Operations to the Company pursuant to the Reorganisation as referred to in Note 1.2 of Section II. Baosteel has purchased 130 million state legal person shares with a nominal value of RMB1.00 each for a cash consideration of RMB194,463,000.

24. Reserves

Group

	Note	Capital reserve	Translation differences	Retained earnings	Owner's equity before the reorganisation	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 1 January 2006		—	—	—	(3,804)	(3,804)
Profit for the year		—	—	—	1,920	1,920
Other comprehensive income:						
Fair value gains on available-for-sale financial assets, net of tax		—	—	—	233	233
Currency translation differences		—	—	—	(17)	(17)
Total comprehensive income for the year		—	—	—	2,136	2,136
Transaction with non-controlling interests		—	—	—	64	64
Deemed distribution (c (i))		—	—	—	(150)	(150)
At 31 December 2006		—	—	—	(1,754)	(1,754)
Profit for the year		—	—	—	3,855	3,855
Other comprehensive income:						
Fair value gains on available-for-sale financial assets, net of tax		—	—	—	629	629
Currency translation differences		—	—	—	(73)	(73)
Total comprehensive income for the year		—	—	—	4,411	4,411
Dividends	40	—	—	—	(34)	(34)
Transaction with non-controlling interests		—	—	—	347	347
Deemed distribution (c (i))		—	—	—	(372)	(372)
At 31 December 2007		—	—	—	2,598	2,598

Group

	Note	Capital reserve	Translation differences	Retained earnings	Owner's equity before the reorganisation	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 31 December 2007		—	—	—	2,598	2,598
Profit for the period from 1 January to 1 December 2008		—	—	—	2,894	2,894
Other comprehensive income:						
Fair value losses on available-for-sale financial assets, net of tax		—	—	—	(861)	(861)
Currency translation differences		—	—	—	(162)	(162)
Total comprehensive income for the period from 1 January to 1 December 2008		—	—	—	1,871	1,871
Transaction with non-controlling interests		—	—	—	(1,417)	(1,417)
Deemed distribution (c (ii))		—	—	—	(537)	(537)
Capital contribution (d)		—	—	—	2,327	2,327
Special distribution (e)		—	—	—	(3,121)	(3,121)
At 1 December 2008		—	—	—	1,721	1,721
Capitalisation and issues of new shares to Parent upon establishment of the Company		(11,149)	—	—	(1,721)	(12,870)
Contribution received from Baosteel		65	—	—	—	65
Profit for the period from 2 December 2008 to 31 December 2008		—	—	306	—	306
Other comprehensive income:						
Fair value losses on available-for-sale financial assets, net of tax		(7)	—	—	—	(7)
Currency translation differences		—	(10)	—	—	(10)
Total comprehensive (expenses)/income for the period from 2 December 2008 to 31 December 2008		(7)	(10)	306	—	289
Capital contribution		57	—	—	—	57
Dividends	40	—	—	(256)	—	(256)
Transaction with non-controlling interests		8	—	—	—	8
Appropriation		28	—	(28)	—	—
At 31 December 2008		(10,998)	(10)	22	—	(10,986)

	Note	Capital reserve	Translation differences	Retained earnings	Owner's equity before the reorganisation	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 31 December 2008		(10,998)	(10)	22	—	(10,986)
Profit for the period		—	—	2,137	—	2,137
Other comprehensive income:						
Fair value gains on available-for-sale financial assets, net of tax		180	—	—	—	180
Currency translation differences			(52)	—	—	(52)
Total comprehensive income/(expense) for the period		180	(52)	2,137	—	2,265
Dividends	40	—	—	(1,875)	—	(1,875)
Transaction with non-controlling interests		45	—	—	—	45
Appropriation		208	—	(208)	—	—
At 30 June 2009		(10,565)	(62)	76	—	(10,551)

(a) As described in Note 1.2(c) and (d), upon the establishment of the Company on 1 December 2008, 12,870 million state legal person shares were issued to Parent in consideration for the transfer of the Core Operations from the Parent Group to the Company. Pursuant to the Reorganisation, all the then existing capital and reserves of the Parent Group were capitalised and the resulting differences was charged to capital reserve. In view of the above changes in form and nature of the capital and reserves of the Parent Group, separate classes of reserves, including retained earnings and translation reserves of the Parent Group prior to the establishment of the Company have not been separately disclosed in the Financial Information.

(b) Owner's equity before the Reorganisation represents the combined equities of the Core Operations owned and operated by the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods and as if the Retained Operations as described in Note 1.2(e)(ii) were transferred to the Company by Parent at the beginning of the earliest period presented or since the date when the combining entities first came under the control of SASAC, whichever it is a shorter period.

(c) During the Relevant Periods, the deemed distributions made by the Group were as follows:

(i) As described in Note 1.2(e)(i) and Note 2.2, the operating assets and liabilities that were unrelated to the Core Operations were not transferred to the Company. As a result, these operating assets and liabilities have not been included in the Financial Information and capital contributions made by the Group into these operations were reflected as deemed distributions to Parent.

(ii) As described in Note 1.2(e)(ii) and Note 2.3, certain operating assets and liabilities that were historically associated with the Core Operations have been included in the Financial Information although these operations were not transferred to the Company upon the Reorganisation. The assets and liabilities of these operations were reflected as deemed distributions to Parent at the effective date of the Reorganisation.

(d) Capital contribution mainly comprised of contribution of certain state-owned land use rights from Parent.

(e) Pursuant to the Reorganisation and the applicable PRC financial regulations, the Company is required to make a distribution (the "Special Distribution") to Parent in an amount equal to its net profit, as determined in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC, generated from 1 January 2008 to 1 December 2008 (the date on which the Company was established), which amounted to RMB3,121 million.

Company

	Capital reserve	Retained earnings	Total
	RMB 'million	RMB 'million	RMB 'million
Capital surplus from issuance of shares to Parent and Baosteel	6,459	—	6,459
Profit for the period from 2 December 2008 to 31 December 2008	—	284	284
Other comprehensive income:			
Currency translation differences	1	—	1
Total comprehensive income for the period from 2 December 2008 to 31 December 2008	1	284	285
Capital contribution	57	—	57
Dividends	—	(256)	(256)
Appropriation	28	(28)	—
At 31 December 2008	6,545	—	6,545
Profit for the period and total comprehensive income for the period	—	2,083	2,083
Dividends	—	(1,875)	(1,875)
Appropriation	208	(208)	—
At 30 June 2009	6,753	—	6,753

The profit attributable to equity holders of the Company for the year ended 31 December 2008 and the six months ended 30 June 2009 is dealt with in the financial information of the Company to the extent of profit of RMB284 million and RMB2,083 million, respectively.

25. Trade and other payables

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Trade payables	26,405	38,896	40,211	43,607
Other payables				
Accrued payroll and related expenses	1,926	1,966	1,598	1,230
Accrued expenses	390	485	454	428
Purchase deposits from customers	14,691	23,758	29,047	24,786
Deposits payable	2,122	3,466	3,259	3,246
Other taxes payable	1,780	2,376	2,007	2,200
Amounts due to Parent	—	—	2,914	2,824
Others	895	2,094	2,671	2,976
	21,804	34,145	41,950	37,690
Total trade and other payables	48,209	73,041	82,161	81,297
Less: Non-current portion:				
Other payables	(290)	(542)	(257)	(350)
Current portion	47,919	72,499	81,904	80,947

Please refer to Note 47 for the Group's trade and other payables to related parties.

The carrying amounts of the current portion of the Group's trade and other payables as at 31 December 2006, 2007 and 2008 and 30 June 2009 approximate their fair values because of their short-term maturities. In addition, the fair value of the Group's non-current trade and other payables as at 31 December 2006, 2007 and 2008 and 30 June 2009 are RMB273 million, RMB504 million, RMB244 million and RMB332 million, respectively.

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Trade payables	178	109
Other payables		
Purchase deposits from customers	135	48
Accrued payroll and related expenses	—	3
Other taxes payable	13	8
Interest payable	381	241
Amounts due to Parent	2,914	2,824
Amounts due to subsidiaries	8,941	8,381
Others	28	24
	12,412	11,529
Total trade and other payables - current portion	12,590	11,638

Please refer to Note 47 for the Company's trade and other payables to related parties.

(a) The ageing analysis of trade payables is as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Within 1 year	21,281	33,233	33,382	32,716
1 year to 2 years	3,006	4,005	4,843	7,957
2 years to 3 years	928	828	1,075	1,826
Over 3 years	1,190	830	911	1,108
	26,405	38,896	40,211	43,607

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Within 1 year	143	77
1 year to 2 years	11	7
2 years to 3 years	24	25
	178	109

(b) The carrying amounts of the Group and the Company's trade and other payables are denominated in the following currencies:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
RMB	46,887	69,630	76,609	78,089
US dollar	1,270	3,353	4,950	2,786
Others	52	58	602	422
	48,209	73,041	82,161	81,297

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
RMB	12,382	11,545
US dollar	157	85
Others	51	8
	12,590	11,638

26. Borrowings

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Non-current				
Long-term bank borrowings				
— Secured[(a)]	4,867	4,560	5,780	7,493
— Unsecured	211	1,399	5,717	15,860
	5,078	5,959	11,497	23,353
Long-term other borrowings				
— Secured[(a)]	4	1	3,500	3,500
— Unsecured	13	15	221	92
— Debentures[(b (i))]	—	—	3,500	3,500
	17	16	7,221	7,092
Total non-current borrowings	5,095	5,975	18,718	30,445
Current				
Short-term bank borrowings				
— Secured[(a)]	6,314	9,318	11,598	13,684
— Unsecured	10,011	19,310	21,635	26,566
	16,325	28,628	33,233	40,250
Short-term other borrowings				
— Secured[(a)]	—	3,013	1	701
— Unsecured	—	1,802	6	49
— Debentures[(b (ii))]	1,925	—	3,500	—
	1,925	4,815	3,507	750
Current portion of long-term bank borrowings				
— Secured[(a)]	785	1,251	1,404	1,302
— Unsecured	—	200	577	343
	785	1,451	1,981	1,645
Current portion of long-term other borrowings				
— Secured[(a)]	3	—	—	—
Total current borrowings	19,038	34,894	38,721	42,645
Total borrowings	24,133	40,869	57,439	73,090

Company

	As at 31 December 2008 RMB 'million	As at 30 June 2009 RMB 'million
Non-current		
Long-term bank borrowings		
— Unsecured	5,150	9,635
Other long-term borrowings		
— Debentures[b(i)]	3,500	3,500
Total non-current borrowings	8,650	13,135
Current		
Short-term bank borrowings		
— Unsecured	14,151	17,359
Short-term other borrowings		
— Unsecured	1,000	1,000
— Debentures[b(ii)]	3,500	—
	4,500	1,000
Current portion of long-term bank borrowings		
— Unsecured	385	231
Total current borrowings	19,036	18,590
Total borrowings	27,686	31,725

(a) Secured borrowings were secured by the Group's property, plant and equipment (Note 7), land use rights (Note 8), properties under development (Note 20) and guarantees provided by certain related parties (Note 47).

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

(ii) As approved by the People's Bank of China, the Group has issued debentures with discount and a maturity of one year from issuance in December 2006.

As approved by the People's Bank of China, the Group has issued debentures in February 2008 at par value of RMB3,500 million, with a maturity of one year from issuance.

(c) Other borrowings excluding debentures mainly represent borrowings from other state-owned enterprises and third parties, as follows:

Group

Lender	As at 31 December 2006 RMB 'million	2007 RMB 'million	2008 RMB 'million	As at 30 June 2009 RMB 'million
Other state-owned enterprises	—	1,501	128	44
Third parties	20	3,330	3,600	4,298
	20	4,831	3,728	4,342

Company

Lender	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Subsidiaries	1,000	1,000

(d) The exposure of the Group and the Company's borrowings to interest rate changes and contractual re-pricing at the respective balance sheet dates are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
6 months or less	9,382	26,399	43,173	48,968
6 to 12 months	10,248	12,649	4,882	11,715
1 year to 5 years	3,774	1,700	5,760	7,758
Over 5 years	729	121	3,624	4,649
	24,133	40,869	57,439	73,090

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
6 months or less	24,186	28,225
Over 5 years	3,500	3,500
	27,686	31,725

(e) The maturities of the Group's and the Company's total borrowings at respective balance sheet dates are set out as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Within 1 year	19,038	34,894	38,721	42,645
1 year to 2 years	1,495	3,054	7,020	9,539
2 years to 5 years	2,973	1,901	7,048	14,100
Wholly repayable within 5 years	23,506	39,849	52,789	66,284
Over 5 years	627	1,020	4,650	6,806
	24,133	40,869	57,439	73,090

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Within 1 year	19,036	18,590
1 year to 2 years	259	828
2 years to 5 years	4,191	7,190
Wholly repayable within 5 years	23,486	26,608
Over 5 years	4,200	5,117
	27,686	31,725

(f) The carrying amounts of the Group's and the Company's borrowings are denominated in the following currencies:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
RMB	23,783	40,409	54,966	68,112
US dollar	350	460	2,473	4,978
	24,133	40,869	57,439	73,090

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
RMB	25,591	28,476
US dollar	2,095	3,249
	27,686	31,725

(g) The weighted average effective interest rates (per annum) at the respective balance sheet dates are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
Bank borrowings				
— RMB	5.02%	6.22%	6.26%	5.29%
— US dollar	5.40%	5.23%	5.69%	5.14%
Other borrowings				
— RMB	3.97%	5.49%	7.49%	7.79%
— US dollar	4.32%	3.80%	—	—

Company

	As at 31 December 2008	As at 30 June 2009
Bank borrowings		
— RMB	6.50%	5.54%
— US dollar	5.31%	3.88%
Other borrowings		
— RMB	5.77%	5.77%

(h) The carrying amounts of the current borrowings approximate their fair values because of their short-term maturities. The fair values of non-current borrowings are set out as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Fair value				
— Long-term bank borrowings	4,915	5,822	11,095	22,317
— Long-term other borrowings (excluding debentures)	12	10	3,713	3,590
— Debentures	—	—	3,500	3,500
	4,927	5,832	18,308	29,407

The fair values of non-current borrowings are estimated based on discounted cash flows using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Fair value		
— Long-term bank borrowings	5,150	9,635
— Debentures	3,500	3,500
	8,650	13,135

The fair values of non-current borrowings are estimated based on discounted cash flows using the prevailing market rates of interest available to the Company for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

27. Deferred income

Group

	Government grants relating to research and development expenditure	Government grants relating to property, plant and equipment	Deferred housing rental income	Subsidies relating to housing relocation and demolition	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 1 January 2006	1	102	113	56	20	292
Additions	13	14	—	—	4	31
Amortisation	(2)	(1)	(5)	(2)	(13)	(23)
At 31 December 2006	12	115	108	54	11	300
Additions	22	81	—	—	71	174
Amortisation	(4)	(2)	(5)	(2)	(5)	(18)
At 31 December 2007	30	194	103	52	77	456
Additions	119	70	—	—	—	189
Amortisation	(70)	(105)	(5)	(2)	(32)	(214)
At 31 December 2008	79	159	98	50	45	431
Additions	20	—	—			20
Amortisation	(26)	(53)	(3)	(1)	(42)	(125)
At 30 June 2009	73	106	95	49	3	326

28. Retirement and other supplemental benefit obligations

(a) State-managed retirement plans

The Chinese employees of the Group participate in employee social security plans organised and administrated by the PRC government authority. The PRC companies are required to contribute from 16% to 22%, depending on the applicable local regulations, of payroll costs to the state managed retirement plans. The obligation of these PRC companies with respect to the state-managed retirement plans is to make the specified contributions.

The total cost charged to consolidated income statements during the Relevant Periods are as follows:

Group

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Contributions to state-managed retirement plans	593	675	761	360	401

At each balance sheet date, the following amounts due in respect of the reporting period had not been paid to the state-managed retirement plans:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Amounts due to state-managed retirement plans included in trade and other payables	340	313	256	261

(b) Early retirement and supplemental benefit obligations

The amount of early retirement and supplemental benefit obligations recognised in the consolidated balance sheets are determined as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Present value of defined benefits obligations	9,077	7,912	7,602	7,119
Unrecognised actuarial losses	(907)	(184)	(472)	(218)
Liability arising from defined benefit obligation	8,170	7,728	7,130	6,901
Less: current portion	(732)	(766)	(905)	(847)
Non-current portion	7,438	6,962	6,225	6,054

The movements of the Group's early retirement and supplemental benefit obligations for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 are as follows:

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	8,511	8,170	7,728	7,130
For the year/period				
— Interest costs (Note 34)	274	277	321	108
— Payment	(655)	(732)	(709)	(320)
— Actuarial losses (Note 34)	39	—	122	(17)
— Transitional provision (Note 34)	1	13	—	—
— Past service cost (Note 34)	—	—	(332)	—
At end of year/period	8,170	7,728	7,130	6,901

The above obligations were determined based on actuarial valuations performed by an independent qualified actuarial firm, Towers Perrin Consulting Company Limited (Members of the Society of Actuaries and the China Association of Actuaries), using the projected unit credit actuarial cost method.

The material actuarial assumptions used in valuing these obligations are as follows:

(i) Discount rates adopted (per annum):

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
Discount Rate	3.00%	4.25%	3.00%	3.25%

(ii) Early-retirees' salary and supplemental benefits increase rate: 4.5%;

(iii) Medical cost trend rate: 8%;

(iv) Mortality: Average life expectancy of residents in the PRC; and

(v) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

29. Provisions for other liabilities and charges

Group

	Lawsuits	Warranties	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 1 January 2006	4	36	—	40
Additions	10	2	—	12
Utilised	—	(6)	—	(6)
At 31 December 2006	14	32	—	46
Additions	23	—	4	27
Utilised	(15)	(32)	(4)	(51)
At 31 December 2007	22	—	—	22
Additions	12	11	—	23
Utilised	(14)	(5)	—	(19)
At 31 December 2008	20	6	—	26
Additions	—	15	—	15
Utilised	(4)	(3)	—	(7)
At 30 June 2009	16	18	—	34

30. Deferred income tax

(a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Deferred income tax assets				
— Deferred tax assets to be recovered after more than 12 months	966	808	1,173	1,275
— Deferred tax assets to be recovered within 12 months	266	180	407	420
	1,232	988	1,580	1,695
Deferred income tax liabilities				
— Deferred tax liabilities to be recovered after more than 12 months	(413)	(794)	(385)	(393)
— Deferred tax liabilities to be recovered within 12 months	(123)	(251)	(220)	(236)
	(536)	(1,045)	(605)	(629)
Deferred income tax assets/(liabilities)-net	696	(57)	975	1,066

Group

The gross movements on the deferred income tax are as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	1,186	696	(57)	975
Attributable to acquisition of subsidiaries	(340)	(221)	(33)	—
(Charged)/credited to the consolidated income statements (Note 37)	(36)	(265)	667	130
(Charged)/credited to equity	(114)	(292)	360	(59)
Exchange differences	—	25	38	20
At end of the year/period	696	(57)	975	1,066

(b) The movements in deferred income tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Group

	Provision for impairment of assets	Provision for retirement and other supplemental benefit obligation	Deductible tax loss	Unrealised profit on inter-company transactions	Government grant for purchase of property, plant and equipment	Valuation surplus of property, plant and equipment and land use rights	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Deferred tax assets								
At 1 January 2006	321	835	52	—	5	—	22	1,235
Credited/(charged) to the consolidated income statement	17	(95)	(2)	19	3	—	51	(7)
Attributable to acquisition of subsidiaries (Note 42)	—	—	—	—	—	—	4	4
At 31 December 2006	338	740	50	19	8	—	77	1,232
(Charged)/credited to the consolidated income statement	(26)	(214)	21	4	2	—	(31)	(244)
At 31 December 2007	312	526	71	23	10	—	46	988
Credited/(charged) to the consolidated income statement	285	(37)	204	11	(1)	118	12	592
At 31 December 2008	597	489	275	34	9	118	58	1,580
(Charged)/credited to the consolidated income statement	(50)	(34)	150	75	2	(13)	(15)	115
At 30 June 2009	547	455	425	109	11	105	43	1,695

(b) The movements in deferred income tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Group

	Change in fair value of financial assets	Safety Fund	Welfare payable	Fair value adjustments upon business combination	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Deferred tax liabilities						
At 1 January 2006	13	—	36	—	—	49
Charged to the consolidated income statement	29	—	—	—	—	29
Charged directly to equity	114	—	—	—	—	114
Attributable to acquisition of subsidiaries (Note 42)	—	—	—	344	—	344

	Change in fair value of financial assets	Safety Fund	Welfare payable	Fair value adjustments upon business combination	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 31 December 2006	156	—	36	344	—	536
(Credited)/charged to the consolidated income statement	(39)	59	14	(16)	3	21
Charged directly to equity	292	—	—	—	—	292
Attributable to acquisition of subsidiaries (Note 42)	—	—	—	221	—	221
Exchange differences	—	—	—	(25)	—	(25)
At 31 December 2007	409	59	50	524	3	1,045
Credited to the consolidated income statement	(6)	(10)	(33)	(24)	(2)	(75)
Credited directly to equity	(360)	—	—	—	—	(360)
Attributable to acquisition of subsidiaries (Note 42)	—	—	—	33	—	33
Exchange differences	—	—	—	(38)	—	(38)
At 31 December 2008	43	49	17	495	1	605
Credited to the consolidated income statement	(3)	(2)	(10)	(1)	1	(15)
Charged directly to equity	59	—	—	—	—	59
Exchange differences	—	—	—	(20)	—	(20)
At 30 June 2009	99	47	7	474	2	629

The deferred income tax charged/(credited) to equity during the Relevant Periods is as follows:

Group

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Fair value reserves in equity:					
— Available-for-sale financial assets	114	292	(360)	(200)	59

In accordance with the PRC tax law or other tax regulations applicable to those companies in their respective jurisdictions, tax losses may be carried forward to offset future taxable income. The Group did not recognise deferred tax assets of RMB298 million, RMB335 million, RMB467 million and RMB424 million in respect of tax losses amounting to RMB902 million, RMB1,338 million, RMB1,868 million and RMB1,696 million as at 31 December 2006, 2007 and 2008 and 30 June

2009, respectively, as management believes it is more likely than not that such tax losses would not be realised before they expire.

31. Other income

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Dividend income from available-for-sale financial assets[(a)]	25	57	32	6	8
Dividend income from financial assets at fair value through profit or loss[(a)]	52	96	1	—	—
Income from liabilities forgiven	4	22	177	13	12
Insurance reimbursement	2	6	4	1	1
Rental income	150	203	307	104	107
Government grants and subsidies[(b)]	87	163	493	184	332
Others	27	40	50	19	30
	347	587	1,064	327	490

(a) Dividend income from listed investments for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 was RMB61 million, RMB127 million, RMB12 million, RMB5 million and RMB4 million, respectively. Dividend income from unlisted investments for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 was RMB16 million, RMB26 million, RMB21 million, RMB1 million and RMB4 million, respectively.

(b) Government grants mainly represent value-added tax refund granted by PRC government and subsidy granted by PRC government to support the development of the Group.

32. Other gains — net

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Financial assets at fair value through profit or loss (Note 18):					
— Fair value gains	84	11	—	—	—
Net foreign exchange losses (Note 36)	(51)	(40)	(142)	(32)	(47)
(Loss)/gain on disposal of associates	—	(2)	13	—	—
Gain on disposal of subsidiaries	—	317	42	3	—
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition (Note 42)	13	29	—	—	110
Gain on disposal of property, plant and equipment	4	190	75	46	37
Gain on disposal of financial assets at fair value through profit or loss	32	432	5	8	—
Gain on disposal of held-to-maturity financial assets	—	—	11	8	—
Gain/(loss) on disposal of available-for-sale financial assets	29	311	528	120	(21)
Impairment loss for available-for-sale financial assets	(2)	—	(2)	(2)	—
Others	17	142	34	(19)	(8)
	126	1,390	564	132	71

33. Expenses by nature

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Raw materials, purchased equipment and consumables used	44,006	59,274	72,235	32,278	26,244
Changes in inventories of finished goods and work-in-progress	(4,243)	(7,500)	(6,454)	(3,124)	(1,559)
Subcontracting charges	27,959	43,198	59,180	29,187	34,387
Employee benefits (Note 34)	7,536	8,791	9,875	4,553	4,316
Depreciation of property, plant and equipment (Note 7)	1,224	1,361	1,602	814	768
Fuel and heating expenditure	1,189	1,130	493	207	244
Business tax and other transaction taxes	2,342	3,068	3,872	1,705	1,805
Travelling expenses	775	951	1,046	439	499
Office expenses	1,187	1,363	1,494	630	715
Transportation costs	499	481	608	222	206
Operating lease rentals	1,989	2,547	3,614	1,537	1,381

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Provision for impairment of trade and other receivables (Note 17)	477	516	407	290	404
Research and development costs	247	450	1,021	243	300
Repairs and maintenance	746	836	815	373	388
Advertising expenditure	79	99	121	40	50
Foreseeable losses on construction contracts	74	1	93	104	(10)
Amortisation of land use rights (Note 8)	41	79	142	70	70
Amortisation of mining rights (Note 9)	—	6	6	2	3
Depreciation of investment property (Note 10)	19	27	28	17	11
Amortisation of intangible assets (Note 11)	13	16	27	11	19
Provision for impairment of property, plant and equipment (Note 7)	33	5	—	—	—
Provision for impairment of investment property (Note 10)	10	—	—	—	—
Insurance expenditure	59	45	77	29	33
(Reversal of)/provision for impairment on inventories (Note 20)	(16)	131	644	122	(7)
Professional and technical consulting fees	446	643	633	185	336
Auditors' remuneration	12	23	45	20	21
Bank charges relating to operating activities	50	120	242	117	144
Others	952	919	1,216	527	448
Total cost of sales, selling and marketing expenses and administrative expenses	87,705	118,580	153,082	70,598	71,216

34. Employee benefits

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Salaries, wages and bonuses, including restructuring costs and other termination benefits	5,817	6,845	7,289	3,175	2,995
Contributions to pension plans[(a)]	593	675	761	360	401
Early retirement and supplemental pension benefits (Note 28 and b)					
— interest cost	274	277	321	160	108
— actuarial losses	39	—	122	—	(17)
— transitional liability	1	13	—	—	—
— past service cost	—	—	(332)	—	—
Housing benefits[(c)]	180	221	341	138	176
Welfare, medical and other expenses	632	760	1,373	720	653
	7,536	8,791	9,875	4,553	4,316

(a) The employees of the group companies in the PRC participate in various retirement benefit plans organised by the relevant municipal and provincial government in the PRC to which the Group is required to make monthly contributions at rates ranging from 16% to 22%, depending on the applicable local regulations, of the employees' basic salary for the Relevant Periods.

(b) Early retirement benefits are recognised in the consolidated income statements in the period in which the Group entered into an agreement specifying the terms of redundancy or after the individual employee had been advised of the specific terms. These specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and location of the employee concerned.

The Group also provided supplementary pension subsidies to employees who retired prior to 31 December 2007. The costs of providing these pension subsidies are charged to the consolidated income statements so as to spread the service costs over the average service lives of the retirees.

(c) These represent contributions to the government-sponsored housing funds (at rates ranging from 5% to 20% of the employees' basic salary) in the PRC.

35. Finance income and costs

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Interest expense					
— Bank borrowings wholly repayable within 5 years	1,070	1,392	2,517	1,269	1,261
— Bank borrowings repayable over 5 years	7	18	275	99	136
— Other borrowings	51	179	547	204	314
	1,128	1,589	3,339	1,572	1,711
Less: Amounts capitalised in construction-in-progress (a)	(9)	(30)	(116)	(52)	(76)
Less: Amounts capitalised in properties under development (b)	(237)	(459)	(501)	(346)	(515)
	882	1,100	2,722	1,174	1,120
Net foreign exchange losses/(gains) on borrowings (Note 36)	5	(7)	(4)	2	(6)
Discount charges on bank acceptance notes	143	224	287	85	59
Finance costs	1,030	1,317	3,005	1,261	1,173
Interest income on bank deposits	(282)	(362)	(391)	(169)	(166)
Interest income on held-to-maturity financial assets	(3)	(3)	(4)	(2)	(1)
Interest income on loans to related parties (Note 47(a))	(5)	(15)	(65)	(6)	(37)
Gain on debt restructuring	(162)	(2)	(88)	(59)	(25)
Finance income	(452)	(382)	(548)	(236)	(229)
Finance costs, net	578	935	2,457	1,025	944

(a) Interest expense were capitalised as construction-in-progress at the rates of 6.16%, 6.35%, 6.90%, 6.94% and 5.91%, per annum for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

(b) Interest expense were capitalised as properties under development at the rates of 5.78%, 6.30%, 7.28%, 7.36% and 7.07%, per annum for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

36. Net foreign exchange losses

The exchange differences charged/(credited) to the consolidated income statements are included as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Other gains — net (Note 32)	51	40	142	32	47
Net finance costs (Note 35)	5	(7)	(4)	2	(6)
	56	33	138	34	41

37. Taxation

(a) Income tax expense

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

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 33%, 33%, 25% and 25% on the assessable income of each of these companies for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries were exempted or taxed at preferential rate of 7.5% to 15%.

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

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

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Current income tax:					
— PRC enterprise income tax	612	1,429	1,503	856	810
— Overseas taxation	3	4	4	—	4
	615	1,433	1,507	856	814
Deferred income tax (Note 30)	36	265	(667)	(251)	(130)
	651	1,698	840	605	684

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

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Profit before income tax	3,858	7,490	4,023	2,985	3,257
Tax calculated at the statutory tax rate of 33% (2008 and 2009: 25%)	1,273	2,472	1,006	746	814
Differential tax rates on income of Group companies	(572)	(975)	(374)	(259)	(246)
Tax losses for which no deferred income tax asset was recognised	127	314	412	161	137
Income not subject to taxation	(174)	(199)	(52)	(37)	(48)
Expense not deductible for tax purpose	152	153	99	42	59
Additional tax relief	(43)	(86)	(101)	(26)	(23)
Utilisation of previously unrecognised tax losses	(123)	(149)	(20)	(7)	(9)
Deferred tax changes resulted from statutory tax rate changes	3	156	(21)	(12)	(8)
Tax benefit related to restatement of the tax base of assets	—	—	(118)	—	—
Others	8	12	9	(3)	8
Income tax expense	651	1,698	840	605	684

(b) Business tax ("BT") and related taxes

Revenues generated from engineering and construction services and other services provided by the Group are subject to BT at rates ranging from 3% to 5% of the service fee income received and receivable. In addition, the Group is subject to city construction tax ("CCT") and educational surcharge ("ES") at rates ranging from 1% to 7% and 3% of BT payable, respectively.

(c) Value-added tax ("VAT") and related taxes

Revenues generated from sales of goods by the Group are subject to output VAT generally calculated at 17% of the product selling prices. For certain special products, such as sands, the applicable rate is 13%. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable. Products of certain subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The Group is also subject to CCT and ES at rates ranging from 1% to 7% and 3% of net VAT payable, respectively.

38. Directors', supervisors' and five highest paid individuals' emoluments

(a) Directors' and supervisors' emoluments

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand (Unaudited)	RMB 'thousand
Directors and supervisors					
— Basic salaries, housing allowances, other allowances and benefits-in-kind	575	1,192	1,752	829	983
— Contributions to pension plans	73	89	102	55	76
— Discretionary bonuses	858	1,204	1,386	—	—
	1,506	2,485	3,240	884	1,059

The emoluments received by individual directors and supervisors are as follows:

(i) For the year ended 31 December 2006:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand
Directors				
— Mr. Shen Heting	169	19	308	496
— Mr. Jiang Longsheng	—	—	—	—
— Mr. Wen Keqin	—	—	—	—
— Mr. Liu Li	—	—	—	—
Supervisors				
— Mr. Han Changlin	163	19	298	480
— Mr. Peng Haiqing	93	16	57	166
— Mr. Shao Jinhui	150	19	195	364
	575	73	858	1,506

(ii) For the year ended 31 December 2007:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand
Directors				
— Mr. Liu Benren	58	—	—	58
— Mr. Wang Weimin	90	7	181	278
— Mr. Shen Heting	198	21	356	575
— Mr. Jiang Longsheng	110	—	—	110
— Mr. Wen Keqin	97	—	—	97
— Mr. Liu Li	99	—	—	99
Supervisors				
— Mr. Han Changlin	184	21	341	546
— Mr. Peng Haiqing	171	19	61	251
— Mr. Shao Jinhui	185	21	265	471
	1,192	89	1,204	2,485

(iii) For the year ended 31 December 2008:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand
Directors				
— Mr. Liu Benren	172	—	—	172
— Mr. Wang Weimin	377	23	—	400
— Mr. Shen Heting	236	23	490	749
— Mr. Jiang Longsheng	122	—	—	122
— Mr. Wen Keqin	107	—	—	107
— Mr. Liu Li	107	—	—	107
— Mr. Chen Yongkuan	—	—	—	—
Supervisors				
— Mr. Han Changlin	214	23	434	671
— Mr. Peng Haiqing	151	10	112	273
— Mr. Shao Jinhui	266	23	350	639
	1,752	102	1,386	3,240

(iv) For the six months ended 30 June 2008:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand
Directors				
— Mr. Liu Benren	96	—	—	96
— Mr. Wang Weimin	126	11	—	137
— Mr. Shen Heting	127	11	—	138
— Mr. Jiang Longsheng	70	—	—	70
— Mr. Wen Keqin	60	—	—	60
— Mr. Liu Li	62	—	—	62
Supervisors				
— Mr. Han Changlin	118	11	—	129
— Mr. Peng Haiqing	73	11	—	84
— Mr. Shao Jinhui	97	11	—	108
	829	55	—	884

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

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand
Directors				
— Mr. Liu Benren	94	—	—	94
— Mr. Wang Weimin	121	13	—	134
— Mr. Shen Heting	122	13	—	135
— Mr. Jiang Longsheng	66	—	—	66
— Mr. Wen Keqin	66	—	—	66
— Mr. Liu Li	65	—	—	65
— Mr. Guo Wenqing	113	13	—	126
— Mr. Chen Yongkuan	54	—	—	54
— Mr. Cheung Yukming	—	—	—	—
Supervisors				
— Mr. Han Changlin	113	13	—	126
— Mr. Peng Haiqing	77	11	—	88
— Mr. Shao Jinhui	92	13	—	105
	983	76	—	1,059

(b) Five highest paid individuals

None of the Directors' and Supervisors' emoluments as disclosed in Note 38(a) above was included in the emoluments paid to the five highest paid individuals. The five individuals whose emoluments were the highest in the Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand (Unaudited)	RMB 'thousand
Basic salaries, housing allowances, other allowances and benefits-in-kind	2,860	3,051	3,498	501	820
Contributions to pension plans	62	83	97	55	62
Discretionary bonuses	4,268	7,681	3,735	4,158	2,532
	7,190	10,815	7,330	4,714	3,414

The emoluments of the above individuals fell within the following bands:

	Number of Individuals				
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008 (Unaudited)	2009
Nil to HK$1,000,000	—	—	—	2	5
HK$1,000,001 to HK$2,000,000	5	3	5	3	—
HK$2,000,001 to HK$3,000,000	—	1	—	—	—
HK$3,000,001 to HK$4,000,000	—	—	—	—	—
HK$4,000,001 to HK$5,000,000	—	1	—	—	—
	5	5	5	5	5

39. Earnings per share

(a) Basic

The basic earnings per share for each of the years ended 31 December 2006 and 2007 and the six months ended 30 June 2008 is calculated based on the profit attributable to the equity holders of the Company and on the assumption that 12,870 million shares issued upon the establishment of the Company in connection with the Reorganisation were deemed to have been in issue since 1 January 2006.

Basic earnings per share for the year ended 31 December 2008 and the six months ended 30 June 2009 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Profit attributable to equity holders of the Company	1,920	3,855	3,200	2,056	2,137
Weighted average number of ordinary shares in issue (million)	12,870	12,870	12,881	12,870	13,000
Basic earnings per share (RMB)	0.15	0.30	0.25	0.16	0.16

(b) Diluted

As the Company had no dilutive ordinary shares for the Relevant Periods, diluted earnings per share for the relevant periods is the same as basic earnings per share.

40. Dividends

Dividends of nil, RMB34 million and nil as disclosed in the consolidated income statements for each of the years ended 31 December 2006 and 2007 and the six months ended 30 June 2008 respectively represent dividends declared by Parent to its then equity holders.

The rates of dividend and the number of shares ranking for dividends for each of the years ended 31 December 2006 and 2007 and the six months ended 30 June 2008 are not presented as such information is not considered meaningful for the purpose of this report.

The dividend declared by the Company for the year ended 31 December 2008 was RMB256 million (RMB0.02 per state legal person share).

The dividend declared by the Company for the six months ended 30 June 2009 was RMB1,875 million (RMB0.14 per state legal person share).

41. Cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Profit for the year/period	3,207	5,792	3,183	2,380	2,573
Adjustments for:					
— Income tax expense	651	1,698	840	605	684
— Share of profit from associates	(26)	(70)	(120)	(52)	(40)

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
— Fair value gain on financial assets at fair value through profit or loss	(84)	(11)	—	—	—
— Gain on disposal of subsidiaries	—	(317)	(42)	(3)	—
— Loss/(gain) on disposal of associates	—	2	(13)	—	—
— Excess of fair value of the share of the identifiable net assets acquired over the cost of acquisition	(13)	(29)	—	—	(110)
— (Gain)/loss on disposal of available-for-sale financial asset	(29)	(311)	(528)	(120)	21
— Gain on disposal of held-to-maturity financial asset	—	—	(11)	(8)	—
— Net loss/(gain) on disposal of property, plant and equipment	21	(190)	(75)	(46)	(37)
— Dividends income on available-for-sale financial assets	(25)	(57)	(32)	(6)	(8)
— Dividends income on financial assets at fair value through profit or loss	(52)	(96)	(1)	—	—
— Provision for impairment of financial assets	2	—	2	2	—
— Gain on debt restructuring	(162)	(2)	(88)	(59)	(25)
— Interest income	(290)	(380)	(460)	(177)	(204)
— Interest expense	1,025	1,324	3,009	1,259	1,179
— Net foreign exchange losses/(gains) on borrowings	5	(7)	(4)	2	(6)
— Exchange losses on cash and cash equivalents	7	122	318	137	46
— Provision for impairment of trade and other receivables	477	516	407	290	404
— (Reversal of)/provision for impairment of inventories	(16)	131	644	122	(7)
— Provision for impairment of property, plant and equipment	33	5	—	—	—
— Provision for impairment of investment properties	10	—	—	—	—

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
— Depreciation of property, plant and equipment	1,224	1,361	1,602	814	768
— Depreciation of investment properties	19	27	28	17	11
— Amortisation of land use rights	41	79	142	70	70
— Amortisation of intangible assets	13	16	27	11	19
— Amortisation of mining rights	—	6	6	2	3
— Amortisation of government grants	(23)	(18)	(214)	(67)	(125)
— Amortisation of other non-current assets	13	36	25	26	13
— Provision for other non-current assets	4	—	—	—	—
— Foreseeable losses on construction contracts	74	1	93	104	(10)
— Income from liabilities forgiven	(4)	(22)	(177)	(13)	(12)
— Other exchange losses/(gains)	44	(130)	(176)	(105)	(18)
Cash flows from operating activities before changes in working capital	6,146	9,476	8,385	5,185	5,189
Cash flows from operating activities before changes in working capital	6,146	9,476	8,385	5,185	5,189
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):					
— Inventories, property under development and completed properties held for sale	(2,186)	(7,018)	(6,922)	(3,226)	55
— Trade and other receivables	(3,880)	(17,981)	(10,195)	(10,435)	243
— Contract work-in-progress	(2,017)	2,874	(1,109)	(4,692)	(5,277)
— Early retirement and other supplemental benefit obligations	(341)	(442)	(598)	(175)	(229)
— Trade and other payables	5,619	20,067	17,105	11,252	(1,636)
— Provisions	6	(19)	4	4	8
— Financial assets at fair value through profit or loss	(52)	368	22	(24)	—
— Government grants	31	174	189	59	58
— Interest received	287	379	457	175	203
Cash generated from/(used in) operations	3,613	7,878	7,338	(1,877)	(1,386)

42. Business combinations other than common control combinations

During the Relevant Periods, certain equity interests in subsidiaries now comprising the Group were acquired from third parties for the purpose expanding into new markets. Acquisitions of equity interests in these subsidiaries were accounted for using the acquisition method of accounting effective from the dates when the subsidiaries were controlled by the Group. Details are as follows:

(a) For the year ended 31 December 2006

In 2006, the Group acquired equity interests in the following companies:

Company name	Acquisition Date	Percentage of equity interests acquired	Cash Consideration
			RMB 'million
Zhejiang Chunnan Water Treatment Engineering Co., Ltd	1 January 2006	90%	100
MCC Nanjing Real Estate Co., Ltd.	1 January 2006	84%	84
Beijing Tianrun Construction Engineering Co., Ltd	1 January 2006	100%	24
Shanghai Wuye Shishihuagong Equipment Examination and Repairing Co., Ltd	31 January 2006	90%	4
Beijing Shengpeng Real Estate Development Co., Ltd	8 March 2006	100%	263
Beijing Guangyuanli Real Estate Development Co., Ltd	7 September 2006	100%	185
Shanghai Baoye Qicheng Gas Co., Ltd	1 November 2006	49%	2
MCC Minera Sierra Grande S.A.	17 November 2006	70%	778
Beijing Haike Real Estate Development Co., Ltd	21 November 2006	100%	30
			1,470

The acquired businesses contributed revenue of RMB600 million and loss of RMB11 million to the Group for the period from the respective acquisition dates to 31 December 2006.

If the acquisitions had occurred on 1 January 2006, the Group's revenue for the year would have been RMB91,707 million and profit for the year would have been RMB3,206 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2006, together with the consequential tax effects.

	RMB 'million
Cash consideration	1,470
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	60
Property, plant and equipment	925
Mining rights	230
Intangible assets	15
Investments in associates	3
Deferred income tax assets	4
Inventories	66
Properties under development	1,713
Trade and other receivables	223
Deferred income tax liabilities	(344)
Trade and other payables	(1,762)
Borrowings	(5)
Total identifiable net assets	1,128
Non-controlling interests in acquirees	(231)
Goodwill	586
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition (Note 32)	(13)
	1,470

The goodwill of RMB586 million is attributable to the profitability of some acquired businesses and the synergies expected to arise after the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

The excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition of RMB13 million is attributable to a bargain deal.

(b) For the year ended 31 December 2007

In 2007, the Group acquired equity interests in the following companies:

Company name	Acquisition date	Percentage of equity interests acquired	Cash Consideration
			RMB 'million
Qingdao Jinzehuadi Real Estate Development Co., Ltd	1 January 2007	50%	44
Chaoyang Jinchang Mining Group Co., Ltd	18 January 2007	87%	98
MCC Nanfang (Xiangtan) Steel Engineering Co., Ltd	1 March 2007	51%	3
Ningchengxian Hongda Mining Co., Ltd	31 March 2007	21%	21
Guangzhou Baiyunshan Financial Company	26 April 2007	100%	105
Chongqing chengshao Real Estate Development Co., Ltd	30 April 2007	70%	7
Sichuan Nonggeshan Multi-Metal Mining Co., Ltd	3 June 2007	51%	52
Beijing Hargongda Yataikongjian Real Estate Development Co., Ltd	6 June 2007	100%	834
Beijing Huachengtong Real Estate Company	30 June 2007	100%	290
Beijing Xinan Real Estate Development Co., Ltd	29 August 2007	100%	38
			1,492

The acquired businesses contributed revenue of RMB128 million and profit of RMB5 million to the Group for the period from the respective acquisition dates to 31 December 2007.

If the acquisitions had occurred on 1 January 2007, the Group's revenue for the year would have been RMB125,058 million and profit for the year would have been RMB5,792 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007, together with the consequential tax effects.

	RMB 'million
Cash consideration	1,492
Fair value of equity interests held before the business combination	44
	1,536

	RMB 'million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	211
Property, plant and equipment	228
Mining rights	124
Inventories	8
Properties under development	2,534
Trade and other receivables	248
Other non-current assets	10
Deferred income tax liabilities	(221)
Trade and other payables	(923)
Borrowings	(964)
Total identifiable net assets	1,255
Non-controlling interest in acquirees	(178)
Goodwill	488
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition (Note 32)	(29)
	1,536

The goodwill of RMB488 million is attributable to the profitability of some acquired businesses and the synergies expected to arise after the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

The excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition of RMB29 million is attributable to a bargain deal.

(c) For the year ended 31 December 2008

For the year ended 31 December 2008, the Group acquired equity interests in the following companies:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration
			RMB 'million
Dalian Phoelin Safety Evaluation and Examination Co., Ltd	31 March 2008	100%	3
Shanghai Wu Gang Engineering and Management Co., Ltd	31 July 2008	100%	37
Shanghai Yi Gang Electrical and Mechanical Co., Ltd	31 July 2008	100%	84
Beijing Huayuan Hotel Co., Ltd	30 September 2008	100%	123
MCC Baoding Capital Papermaking Co., Ltd	18 October 2008	100%	6
			253

The acquired businesses contributed revenue of RMB160 million and loss of RMB3 million to the Group for the period from the respective acquisition dates to 31 December 2008.

If the acquisitions had occurred on 1 January 2008, the Group's revenue for the period would have been RMB158,310 million and profit for the year would have been RMB3,192 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2008, together with the consequential tax effects.

	RMB 'million
Cash consideration	253

	RMB 'million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	65
Property, plant and equipment	338
Land use rights	268
Inventories	42
Trade and other receivables	182
Deferred income tax liabilities	(33)
Trade and other payables	(604)
Borrowings	(30)
Total identifiable net assets	228
Goodwill	25
	253

The goodwill of RMB25 million is attributable to the profitability of some acquired businesses and the synergies expected to arise after the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

(d) For the six months ended 30 June 2009

For the six months ended 30 June 2009, the Group acquired equity interests in the following companies:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration
			RMB 'million
Changchun Jingcheng Machinery Co., Ltd	8 April 2009	55%	—*
Tianjin Binhai Jintang Instruction Co., Ltd	22 June 2009	90%	90
			90

* Cash consideration is less than RMB1 million

The acquired businesses contributed revenue of nil and loss of RMB1 million to the Group for the period from the respective acquisition dates to 30 June 2009.

If the acquisitions had occurred on 1 January 2009, the Group's revenue for the period would have been RMB74,866 million and profit for the period would have been RMB2,572 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2009, together with the consequential tax effects.

	RMB 'million
Cash consideration	90

	RMB 'million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	286
Trade and other receivables	113
Trade and other payables	(99)
Total identifiable net assets	300
Non-controlling interest in acquirees	(100)
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition (Note 32)	(110)
	90

The excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition of RMB110 million is attributable to a bargain deal.

43. Disposal of subsidiaries

(a) For the year ended 31 December 2007

In 2007, the Group disposed equity interests in the following companies:

Company name	Disposal date	Percentage of equity interests disposed	Sales proceeds
			RMB 'million
Beijing XinAoXiJun Real Estate Development Co., Ltd	29 April 2007	100%	403
Wuhan Construction and Installation Engineering Co., Ltd	30 September 2007	38%	19
Wuhan Yiye Construction and Installation Co., Ltd	30 September 2007	35%	9
Shanghai Baogang Metallurgy Construction Company Kunshan welding Factory	30 September 2007	82%	8
Wuhan Jingye Subgrade and Foundation Engineering Co., Ltd	30 September 2007	40%	8
Handan Huaye Xinxing Building Materials Co., Ltd	30 September 2007	70%	3
MCC Shijiu Construction Shenzhen Company	30 September 2007	100%	—*
Beijing Haidian District YeJian Environmental Protection Equipment Factory	30 September 2007	100%	—*
Wuhan Jingye Construction and Engineering Company	30 September 2007	54%	—*
Xiamen Jingye Construction and Engineering Company	30 September 2007	100%	1
Beijing China Metallurgical Environmental Protection Technology Company	30 September 2007	100%	—*
Beijing Youya Construction Technology Co., Ltd	30 September 2007	50%	—*
Beijing Jingye Construction & Design Institute	30 September 2007	100%	3
Beijing Xingjian Lianhe Metal Product Factory	30 September 2007	100%	—*
MCC Baogang Shanghai TeYouFeici Metal Processing Factory	10 October 2007	72%	18
			472

* All sales proceeds are less than RMB1 million

Details of net assets disposed of and gain on disposal are as follows:

	RMB 'million
Sales proceeds	
— Cash received	421
— Cash to be received	51
Total sales proceeds	472
Less: Net assets disposed — as shown below	(155)
Gain on disposal	317

The effect of the disposal is as follows:

	RMB 'million
Cash and cash equivalents	40
Property, plant and equipment	67
Other non-current assets	14
Inventories	250
Properties under development	3,011
Trade and other receivables	1,117
Borrowings	(2,251)
Trade and other payables	(2,026)
Net assets	222
Non-controlling interests	(67)
Net assets disposed	155
Sales proceeds in cash	421
Less: Cash and cash equivalents of subsidiaries disposed	(40)
Net cash inflow on disposal of subsidiaries	381

(b) For the year ended 31 December 2008

For the year ended 31 December 2008, the Group disposed equity interests in the following companies:

Company name	Disposal date	Percentage of equity interests disposed	Sales Proceeds RMB 'million
Gu'an En Fei Industry Manufacture Co., Ltd	20 March 2008	92%	11
MCC Shenyang Real Estate Co., Ltd	31 October 2008	100%	31
			42

Details of net assets disposed of and gain on disposal are as follows:

	RMB 'million
Sales proceeds — cash received	11
— cash to be received	31
Less: Net assets disposed — as shown below	—*
Gain on disposal	42

The effect of the disposal is as follows:

	RMB 'million
Cash and cash equivalents	72
Property, plant and equipment	4
Land use right	6
Properties under development	447
Trade and other receivables	12
Trade and other payables	(564)
Current income tax liabilities	24
Net assets	1
Non-controlling interests	(1)
Net assets disposed	—*
Sales proceeds	11
Less: Cash and cash equivalents of subsidiaries disposed	(72)
Net cash outflow on disposal of subsidiaries	(61)

* Net assets disposed are less than RMB1 million

44. Financial guarantee

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Outstanding guarantees (i)	2,135	2,681	2,534	1,958

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Outstanding guarantees (ii)	12,324	15,522

(i) The Group has acted as the guarantor mainly for various external borrowings made by certain fellow subsidiaries of its Parent and certain third parties.

(ii) The Company has acted as the guarantor for various external borrowings made by certain subsidiaries of the Company and certain third parties.

45. Contingencies

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Pending lawsuits/arbitrations	58	77	188	217

The Group have been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision as set out in Note 29 have been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

46. Commitments

(a) Capital commitments

Group

	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Contracted but not yet incurred				
— Property, plant and equipment	12,873	11,406	35,468	35,734
— Land use rights	—	55	—	388
— Mining rights	—	—	5,445	5,434
— Intangible assets	—	3,190	1,736	1,312
Total	12,873	14,651	42,649	42,868

(b) Investment commitments

The Group has the following investment commitments at the respective balance sheet dates:

Group

	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Investment commitments	1,395	128	2,529	1,025

(c) Operating leasing commitments

The Group leases various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group

	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Less than 1 year	14	24	4	6
1 year to 5 years	20	3	11	14
Over 5 years	28	27	27	26
Total	62	54	42	46

47. Related party disclosures

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

In accordance with IAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in this report, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the Relevant Periods and balances as at 31 December 2006, 2007 and 2008 and 30 June 2009 arising from related party transactions.

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

(a) Significant related party transactions

During the Relevant Periods, the Group had the following significant transactions with related parties:

With Parent and fellow subsidiaries

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Sales of goods or provision of services . . .	18	36	346	167	204
Purchases of goods or services	15	19	33	21	21
Guarantees provided to fellow subsidiaries (i) . .	—	—	400	400	—
Loans to fellow subsidiaries (ii)	17	708	—	—	—
Rental expense	—	—	17	7	10
Interest income from loan to fellow subsidiaries . .	5	15	13	3	—

(i) Up to 30 June 2009, all the guarantees provided to fellow subsidiaries have been released.

(ii) As at 31 December 2008, all the loans to fellow subsidiaries have been repaid.

With associates

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Sales of goods or provision of services	—	—	2	1	85
Purchases of goods or services	82	112	121	38	22
Loans to associates	—	20	610	361	50
Guarantees provided to associates	20	—	—	—	—
Interest income	—	—	52	3	37

Impairment charges of receivables due from associates amounting to RMB1 million, RMB7 million, nil, nil and RMB3 million were recognised as expenses for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively.

With non-controlling interests

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Sales of goods or provision of services	139	216	14	4	642
Purchases of goods or services	53	—	105	37	35
Loans from non-controlling interests	—	—	180	9	—
Guarantee from non-controlling interests	—	—	—	—	56
Interest expense	—	—	19	—	—

Impairment charges of receivables due from non-controlling interests amounting to RMB12 million, RMB13 million, nil, nil and RMB1 million were recognised as expenses for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively.

With other state-owned enterprises

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Sales of goods or provision of services	12,749	20,501	11,824	7,953	6,877
Purchases of goods or services	2,132	1,193	1,529	269	242
Interest income	270	291	290	118	132
Interest expense	574	796	1,947	1,040	1,130
Guarantees provided to other state-owned enterprises	951	1,169	524	414	—
Guarantees provided by other state-owned enterprises	290	400	676	651	50

Impairment charges of receivables due from other state-owned enterprises amounting to RMB27 million, RMB24 million, RMB61 million, RMB25 million and RMB36 million were recognised as expenses for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively.

(b) Balances with related parties

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Trade and other receivables				
Trade receivables due from				
— Parent and fellow subsidiaries	2	2	7	55
— Associates	5	7	—	43
— Non-controlling interests	29	42	1	96
— Other state-owned enterprises	1,986	1,855	1,682	2,349
Less: provision	(75)	(114)	(142)	(124)
	1,947	1,792	1,548	2,419
Other receivables due from				
— Parent and fellow subsidiaries	29	1,165	783	14
— Associates	143	168	789	918
— Non-controlling interests	16	353	798	789
— Other state-owned enterprises	345	346	461	410
Less: provision	(1)	(2)	(10)	(12)
	532	2,030	2,821	2,119
	2,479	3,822	4,369	4,538

As at 31 December 2006, 2007 and 2008 and 30 June 2009, loans to fellow subsidiaries, associates and non-controlling interests of RMB85 million, RMB769 million, RMB662 million, and RMB747 million respectively included in other receivables due from fellow subsidiaries, associates and non-controlling interests bear interests at rates ranging from 6% to 9% per annum with loan periods from 6 months to 3 years.

Apart from a loan to a fellow subsidiary of RMB300 million as at 31 December 2007 which is guaranteed by Parent, loans to fellow subsidiaries, associates and non-controlling interests as at 31 December 2006, 2007 and 2008 and 30 June 2009 are unsecured.

Other than loans to fellow subsidiaries, associates and non-controlling interests, other receivables due from Parent and fellow subsidiaries, associates, non-controlling interests and other state-owned enterprise are unsecured, interest free and have no fixed term of repayment.

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Trade and other receivables		
Trade receivables due from subsidiaries	82	906
Loans to subsidiaries	—	5,304
Other receivables due from subsidiaries	16,648	11,416
	16,730	17,626

As at 30 June 2009, loans to subsidiaries bear interests at rates ranging from 5% to 9% per annum with loan periods from 4 months to 27 months.

Other receivables due from subsidiaries are unsecured, interest free and have no fixed term of repayment.

Group

	As at 31 December			As at 30 June
	2006	2009	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Trade and other payables				
Trade payables due to				
— Parent and fellow subsidiaries	4	2	22	22
— Associates	55	69	70	44
— Non-controlling interests	6	11	1	16
— Other state-owned enterprises	183	324	620	548
	248	406	713	630
Other payables due to				
— Parent and fellow subsidiaries	19	31	2,955	2,885
— Associates	4	1	—	—
— Non-controlling interests	12	329	467	385
— Other state-owned enterprises	2,154	2,568	2,286	1,370
	2,189	2,929	5,708	4,640
	2,437	3,335	6,421	5,270

Other payables due to Parent and fellow subsidiaries, associates, non-controlling interest and other state-owned enterprise are unsecured, interest free and have no fixed term of repayment.

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Borrowings				
— Other state-owned enterprises	15,278	30,986	37,995	48,263

The maturities of the Group's borrowings from other state-owned enterprises at respective balance sheet dates are set out as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Within 1 year	11,013	25,263	28,521	32,716
1 year to 2 years	1,012	2,857	1,896	3,654
2 years to 5 years	2,696	1,859	6,440	9,037
Wholly repayable within 5 years	14,721	29,979	36,857	45,407
Over 5 years	557	1,007	1,138	2,856
	15,278	30,986	37,995	48,263

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Trade and other payables		
Trade payables due to subsidiaries	73	61
Other payables due to		
— Parent	2,914	2,824
— Subsidiaries	8,941	8,381
	11,855	11,205
	11,928	11,266

Other payables due to Parent, Baosteel and subsidiaries are unsecured, interest free and have no fixed term of repayment.

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Dividend payable		
— Parent	253	2,110
— Baosteel	3	21
	256	2,131

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Borrowings		
— Subsidiaries	1,000	1,000

The Company's borrowings from subsidiaries as at 31 December 2008 are unsecured, bear interest at 5.04% per annum and repayable in May 2009. The Company's borrowings from subsidiaries as at 30 June 2009 are unsecured, bear interest at 4.86% per annum and repayable in August 2009.

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Other balances with other state-owned enterprises				
— Restricted cash	612	552	1,024	1,520
— Cash and cash equivalents	17,389	22,094	22,574	22,522
	18,001	22,646	23,598	24,042

(c) Key management compensation

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

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand (Unaudited)	RMB 'thousand
Basic salaries, housing allowances, other allowances and benefits-in-kind	878	1,644	2,926	1,419	1,546
Contributions to pension plans	117	151	175	115	141
Discretionary bonuses	1,401	1,954	3,765	—	—
	2,396	3,749	6,866	1,534	1,687

48. Particulars of principal subsidiaries and associates

(a) Subsidiaries

As at the date of this report, the Group has direct and indirect equity interests in the following principal subsidiaries:

Company name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest — Directly held	Attributable equity interest — Indirectly held	Principal activities and place of operation	Auditor	Year of audit
		million					
Non-listed companies —							
Central Research Institute of Building and Construction Co., Ltd, MCC Group	PRC/ 16 October 2002/ Limited liability company	RMB600	100%	—	Design and research/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Beijing MCC Equipment Research & Design Corporation Ltd.	PRC/ 7 January 2002/ Limited liability company	RMB235	100%	—	Design and research/ PRC	ShineWing Certified Public Accountants Co., Ltd	2006 2007 and 2008
China Enfi Engineering Co., Ltd	PRC/ 22 February 2002/ Limited liability company	RMB800	100%	—	Engineering, procurement and construction ("EPC")/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008

Company name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation	Auditor	Year of audit
			Directly held	Indirectly held			
		million					
Cheng Du Surveying Geotechnical Research Institute Co.,Ltd. of MCC	PRC/ 20 March 2000/ Limited liability company	RMB25	100%	—	Surveying and design/ PRC	Beijing Wulian Fangyuan Certified Public Accountants Co., Ltd	2006 2007 and 2008
Wuhan Surveying Geotechnical Research Institute Co.,Ltd. of MCC	PRC/ 26 December 2002/ Limited liability company	RMB80	100%	—	Surveying and design/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
China Second Metallurgical Construction Corporation Ltd. (The 2nd China Metallurgical Construction Company)	PRC/ 14 September 2001/ Limited liability company	RMB433	100%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Tongsin Resources Ltd.	British Virgin Islands / 18 January 2007/ Limited liability company	USD38	100%	—	Resource development/ overseas	Riaz Ahmad & Company Chartered Accountants Pricewaterhouse-Coopers in Pakistan	2007 2008
MCC Overseas Ltd.	PRC/ 30 September 2006/ Limited liability company	RMB80	100%	—	Engineering and construction/ overseas	Beijing Xinghua Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC International Incorporation Ltd	PRC/ 31 October 2006/ Limited liability Company	RMB80	100%	—	Engineering and Construction/ overseas	Beijing Xinghua Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Mining (Western Australia) Pty Ltd	Australia/ 8 February 2007/ Limited liability company	USD1	100%	—	Resource development/ overseas	Pricewaterhouse-Coopers in Australia	2007 2008
Beijing central Engineering and Research Incorporation of Iron & Steel Industry Ltd	PRC/ 1 September 2001/ Limited liability company	RMB100	100%	—	Design and services/ PRC	ShineWing Certified Public Accountants Co., Ltd	2006 2007 and 2008
Chongqing Iron and Steel Designing Institute Co., Ltd	PRC/ 23 August 1958/ Limited liability company	RMB366	100%	—	Design and services/ PRC	ShineWing Certified Public Accountants Co., Ltd	2006 2007 and 2008
Wuhan Iron and Steel Design & Research Incorporation Limited	PRC/ 1951/ Limited liability company	RMB63	100%	—	Design and services/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Maanshan I & S Design & Research Institute Co., Ltd	PRC/ 1 July 1962/ Limited liability company	RMB61	100%	—	Design and services/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
Baotou Engineering and Research Corp. of Iron & Steel Industry	PRC/ 31 March 1984/ Limited liability company	RMB50	100%	—	Design and services/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Anshan Engineering & Research Incorporation of Metallurgical Industry	PRC/ 1956/ Limited liability company	RMB69	100%	—	Design and services/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Anshan Coking and Refractory Engineering Consulting Corporation	PRC/ 1953/ Limited liability company	RMB96	100%	—	Design and services/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008

Company name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation	Auditor	Year of audit
		million					
Changsha Metallurgical Design & Research Institute Co., Ltd	PRC/ 20 May 1993/ Limited liability company	RMB167	100%	—	Design and services/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
Wuhan Research Institute of Metallurgical Construction Co, Ltd	PRC/ 16 March 2001/ Limited liability company	RMB55	100%	—	Design and services/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
Shenyang Institute of Geotechnical Investigation Corporation MCC	PRC/ 12 July 1991/ Limited liability company	RMB48	100%	—	Surveying and design/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
China Third Metallurgical Construction Co, Ltd	PRC/ 21 March 1952/ Limited liability company	RMB79	100%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
China 5th Metallurgical Construction Co., Ltd	PRC/ 22 September 1980/ Limited liability company	RMB120	100%	—	Metallurgical engineering and construction/ PRC	Beijing Wulian Fangyuan Certified Public Accountants Co., Ltd	2006 2007 and 2008
China 13th Metallurgical Construction Corporation	PRC/ 11 August 1981/ Limited liability company	RMB133	100%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
China No. 18 Metallurgical Construction Co., Ltd	PRC/ 23 September 1965/ Limited liability company	RMB291	100%	—	Metallurgical engineering and construction/ PRC	Beijing Wulian Fangyuan Certified Public Accountants Co., Ltd	2006 2007 and 2008
China 19th Metallurgical Construction Co., Ltd	PRC/ June 1966/ Limited liability company	RMB1,094	100%	—	Metallurgical engineering and construction/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
China 22nd Metallurgical Construction Corporation Limited	PRC/ 3 February 1978/ Limited liability company	RMB500	100%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
North China Metallurgical Construction Co., Ltd	PRC/ 18 September 1974/ Limited liability company	RMB66	100%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Tiangong Construction Corporation Limited	PRC/ 19 June 2006/ Limited liability company	RMB510	98%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Huaye Resources Development Co., Ltd	PRC/ 5 December 2005/ Limited liability company	RMB268	98%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
CCTEC Engineering Co., Ltd	PRC/ 28 December 2001/ Joint stock company	RMB68	96%	2%	EPC/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Chenggong Construction Co., Ltd	PRC/ 17 April 2007/ Limited liability company	RMB300	94%	—	Metallurgical engineering and construction/ PRC	Beijing Wulian Fangyuan Certified Public Accountants Co.,Ltd	2007 2008
MCC Shijiu Construction Co., Ltd	PRC/ 1 January 2007/ Limited liability company	RMB120	93%	2.5%	Metallurgical engineering and construction/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2007 2008
MCC Jingtang Construction Corporation Limited	PRC/ 11 April 2007/ Limited liability company	RMB300	90%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2007 2008

Company name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation	Auditor	Year of audit
		million					
MCC Great Land United Consulting and Engineering Co., Ltd	PRC/ 20 February 2006/ Limited liability company	RMB20	90%	—	Technical services/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Capital Engineering & Research Incorporation Limited	PRC/ 28 November 2003/ Limited liability company	RMB1,290	87%	—	EPC/ PRC	Beijing Xinghua Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Hi-Tech Engineering Co., Ltd	PRC/ 24 November 2005/ Limited liability company	RMB236	87%	13%	Metallurgical engineering and construction/ PRC	Beijing Xinghua Certified Public Accountants Co., Ltd	2006 2007 and 2008
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	PRC/ 12 October 2004/ Limited liability company	RMB176	86%	—	EPC/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Wuhan Metallurgical Construction Co., Ltd of MCC Group	PRC/ 18 November 2005/ Limited liability company	RMB10	85%	—	Research/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
WISDRI Engineering & Research Incorporation Limited	PRC/ 12 March 2004/ Limited liability company	RMB1,000	85%	—	EPC/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
Northern Engineering & Technology Corporation, MCC	PRC/ 6 February 2005/ Limited liability company	RMB151	85%	—	EPC/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Shanghai Baoye Construction Corp., Ltd.	PRC/ 15 January 2003/ Limited liability company	RMB360	85%	1%	Metallurgical engineering and construction/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
Huatian Engineering & Technology Corporation MCC	PRC/ 1 July 2004/ Limited liability company	RMB189	83%	—	EPC/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
BERIS Engineering & Research Corporation	PRC/ 22 December 2004/ Limited liability company	RMB130	83%	—	EPC/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Zhong Ye Changtian International Engineering Co.,Ltd	PRC/ 5 June 2003/ Limited liability company	RMB161	92%	—	Metallurgical engineering and construction/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
China First Metallurgical Construction Corporation (The 1st China Metallurgical Construction Company)	PRC/ 25 September 1990/ Limited liability company	RMB300	87%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Xiang Xi Mining Co., Ltd	PRC/ 29 September 2006/ Limited liability company	RMB60	50%	—	Resource development/ PRC	Tianzhi International Certified Public Accountants Co., Ltd Beijing Xinghua Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC (Guang Xi) Mawu expressway construction & development Co., Ltd	PRC/ 26 October 2006/ Limited liability company	RMB1,148	89%	—	Infrastructure investment/ PRC	Beijing Xinghua Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Northeastern Construction Co.,Ltd	PRC/ 29 March 2007/ Limited liability company	RMB168	100%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2007 2008
CISDI Engineering Co., Ltd	PRC/ 18 March 2003 Joint stock company	RMB1,000	73%	—	EPC/ PRC	ShineWing Certified Public Accountants Co., Ltd	2006 2007 and 2008

Company name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation	Auditor	Year of audit
			Directly held	Indirectly held			
		million					
China Metallurgical Construction Co., Ltd	PRC/ 3 November 2006/ Limited liability company	RMB203	82%	18%	Metallurgical engineering and construction/ PRC	Beijing Wulian Fangyuan Certified Public Accountants Co., Ltd	2007 2008
Shen Kan Engineering & Technology Corporation, MCC	PRC/ 27 January 2005/ Limited liability company	RMB20	70%	10%	EPC/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
China MCC 17 Construction Co., Ltd (The 17th China Metallurgical Construction Company)	PRC/ 1 October 1992/ Limited liability company	RMB300	67%	—	Metallurgical engineering and construction/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Minera Sierra Grande S.A.	Argentina / 17 November 2006/ Limited liability company	ARP70	70%	—	Resource development/ overseas	Etudio Pascual y Asco. S.R.L.	2007 2008
China MCC 20 Construction Co., Ltd (The 20th China Metallurgical Construction Company)	PRC/ 1 June 1972/ Limited liability company	RMB390	69%	—	Metallurgical engineering and construction/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Finance Corporation Ltd.	PRC/ 11 May 2007/ Limited liability company	RMB1,500	86%	14%	Financial management services/ PRC	Reanda Certified Public Accountants Co., Ltd	2007 2008
MCC-JJJ Mining Development Company Limited	PRC/ 6 August 2007/ Limited liability company	RMB1,662	61%	—	Resources development/ PRC	Reanda Certified Public Accountants Co., Ltd	2007 2008
MCC Baosteel Technology Services Co., Ltd (Shanghai Baosteel Metallurgical Construction Corporation)	PRC/ 4 June 1986/ Limited liability company	RMB285	60%	23%	Maintenance services/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Real Estate Co., Ltd	PRC/ 5 September 2001/ Limited liability company	RMB2,000	90%	10%	Property development/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
China MCC International Economic and Trade Co., Ltd	PRC/ 7 December 2002/ Limited liability company	RMB120	55%	45%	Trading services/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Communication Engineering Technology Co., Ltd	PRC/ 26 December 2005/ Limited liability company	RMB120	45%	55%	Infrastructure engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Huludao Nonferrous Metals Group Co., Ltd	PRC/ 15 November 2002/ Limited liability company	RMB1,661	51%	—	Non-ferrous processing/ PRC	Liaoning Hua Qing Certified Public Accountants Co, Ltd Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Ramu NiCo Management (MCC) Limited	Papua New Guinea/ 17 August 2005/ Limited liability company	—[1]	100%	—	Nico mineral mining and smelting/ overseas	BDO Papua New Guinea	2006 2007 and 2008
MCC Australia Holding Pty Ltd.	Australia/ 10 July 2008/ Limited liability company	AUD10	100%	—	Resources development/ overseas	Pricewaterhouse-Coopers in Australia	2008

(1) The paid-in capital of this company is 1,000 Kina.

(b) Associates

As at the date of this report, the Group has equity interests in the following principal associates (all are unlisted):

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation
			Directly held	Indirectly held	
		million			
MCC(Xiangtan) Heavy Industrial Equipment Co., Ltd	PRC/ 12 November 2007/ Limited liability company	RMB250	51%	—	Equipment fabrication / PRC
Tianjin SERI Machinery Equipment Corporation Ltd	PRC/ 12 May 2000/ Limited liability company	RMB130	50%	—	Equipment fabrication / PRC
New Century Hotel Co, Ltd	PRC/ 21 January 1987/ Limited liability company	RMB72	60%	—	Hotel Services/ PRC
Shanghai MCC Shinton Investment Co., Ltd	PRC/ 7 January 2008/ Limited liability company	RMB300	33%	—	Investment Services/ PRC

The English names of certain subsidiaries and the associates referred to in this report represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

49. Transaction with non-controlling interests

During the Relevant Periods, transactions with non-controlling interests mainly comprised of further capital contributions to subsidiaries by the Group and/or non-controlling interests, acquisition of additional equity interests in subsidiaries from non-controlling interests and disposal of equity interests in subsidiaries to non-controlling interests.

50. Ultimate holding company

The Directors regard China Metallurgical Group Corporation as being the ultimate holding company of the Company, which is owned and controlled by SASAC of the State Council.

51. Subsequent events

The following events took place subsequent to [•] and up to the date of this report:

[•]

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2009. Save as disclosed in this report, no dividends have been declared or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2009.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong