ANNUAL REPORT 2010

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

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

Stock Code: 1618

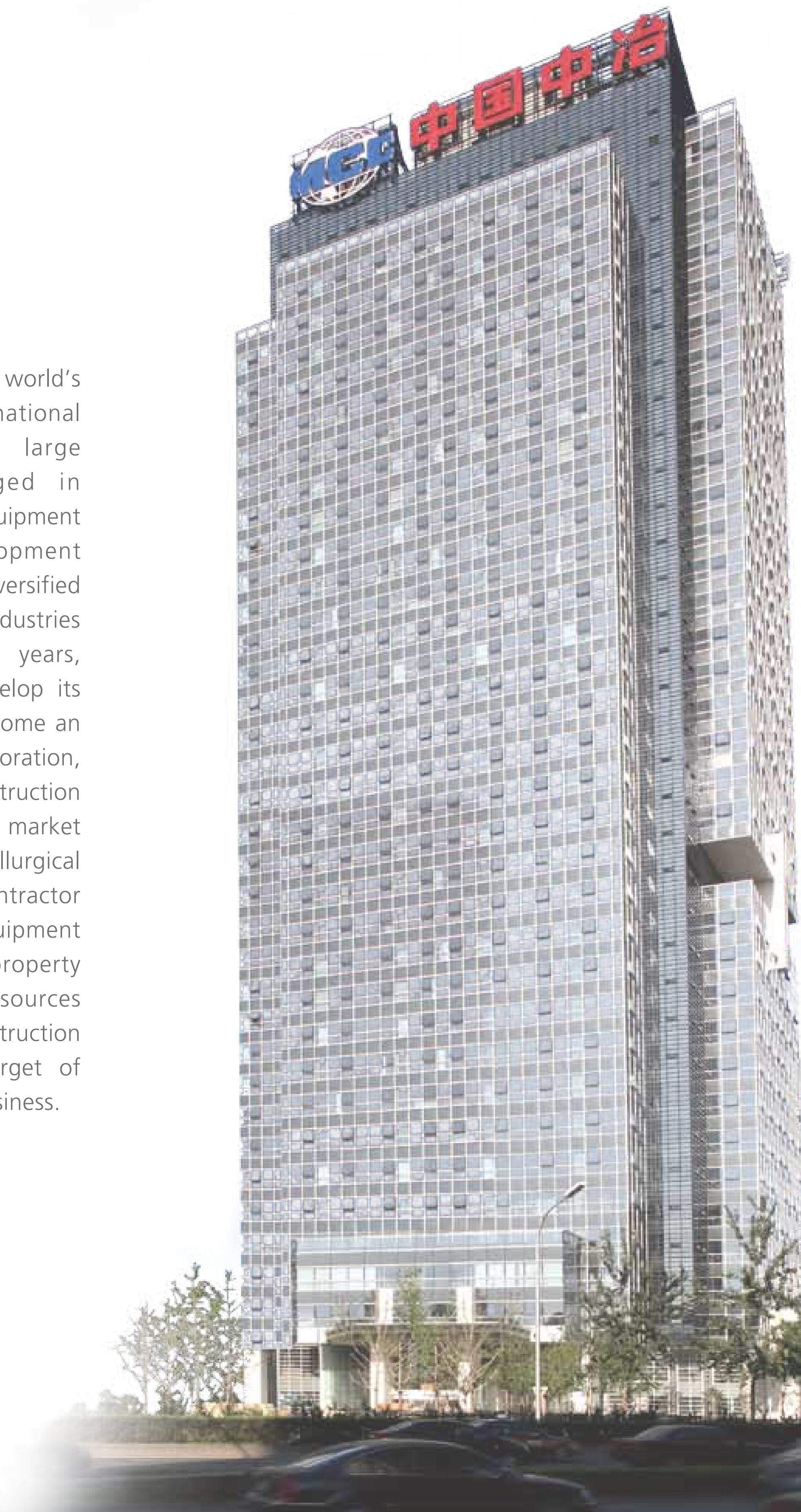
* For identification purpose only

中国冶金科工股份有限公司

METALLURGICAL CORPORATION OF CHINA LTD.*

2010 Annual Report

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



Contents

Shen Heting

President and Executive Director

President's Statement

DEAR SHAREHOLDERS AND FRIENDS,

Time flies but hard work pays off. Year 2010 was a critical and extraordinary year for MCC in carrying on its business transformation. Given the domestic and international economic conditions which remained complex throughout the year, MCC adhered to the scientific concept of development, the main theme of improving its development quality on the basis of enhancing its principal business to boost its competence. It aspired to push forward the business shift and industrial structure adjustment, promote lean management and expedite the development of emerging markets, quicken the pace of cultivation of independent innovation ability and improve the quality of its performance in all directions, thus entering into a new mileage in its quest of becoming the world's leading enterprise with international competencies.

In 2010, the four major segments of MCC, namely engineering and construction, equipment manufacturing, resources development and property development witnessed solid growth, with sustainable and steady momentum in its principal productions and operations. The value of newly signed contracts of MCC totaled RMB285,014 million for the year, representing a year-on-year increase of 30.23%. Its operating revenue amounted to RMB206,397 million, representing a year-on-year increase of 24.71% while its profit for the year amounted to RMB5,571 million, representing a year-on-year increase of 7.38%.

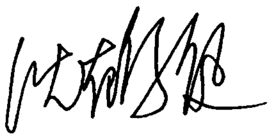
In 2010, MCC's independent innovation ability had been strengthened. We have initially formed a technical innovation system with MCC features by establishing a three-level technical innovation platform featuring "National Engineering Technology Research Center - MCC and provincial level engineering technology center-Subsidiaries' engineering technology center". With 6 national technological innovation platforms such as National Steel Structures Engineering Technology Research Center and the National Engineering Lab of Manufacturing Technology of Polysilicon Materials (多晶硅材料製備國家工程實驗室) and 67 group-level and provincial technological innovation platforms in place, we are the top among similar state-owned enterprises in terms of the number of effective patents. MCC has groomed a talented team for technological research and development. It owns an academician from the Chinese Academy of Engineering, 12 National Reconnaissance Masters and over 16,058 technological experts in place, including 2,704 scientific research and development staff members, over 130 of whom possess a doctoral degree and over 2,400 of whom possess a master's degree.

The brand prominence of "MCC" was strengthened in 2010. During the year, it was awarded 6 "Lu Ban Awards" for construction engineering and 13 silver prizes in the National Quality Construction Awards (國家優質工程獎). The Parent Group, which holds MCC as its core asset, moved up 65 places in ranking to 315th among the Fortune Global 500 companies. It also moved up to the 8th rank among the Top 225 Global Contractors according to the Engineering News-Record (ENR).

MCC conscientiously fulfilled its social responsibility in 2010. All tasks in respect of large-scale national events such as the Shanghai World Expo and Guangzhou Asian Games had been completed with remarkable success. Meanwhile, MCC actively took part in rescue relief in disasters such as the earthquake in Yushu. Furthermore, it spared no efforts in the construction of social welfare housing, boasting the largest area under construction in terms of social welfare housing in the PRC. In addition, MCC further stepped up the establishment of a management system in respect of social responsibility. It also took the initiative to issue the 2009 Social Responsibility Report and won the Award of Best Social Responsibility Report of Enterprises in China" ("中國企業社會責任典範報告獎"), which further established a positive corporate image for the company.

2011 heralds the start of China's "Twelfth Five-Year Plan". What is more, it is a crucial year for MCC to achieve development targets under its Three Five-Year Plan ("三五"規劃). MCC will abide by the spirit of the Fifth Plenary Session of the 17th Central Committee and the Conference of Enterprise Representatives (中央企業負責人會議) - to adhere to the scientific concept of development whilst focusing on accelerating business transformation in a bid to strengthen and enhance our business. It will further implement its strategy of structural upgrade, technological innovation, internationalization, self-strengthening by talents and harmonious development to enhance its overall corporate and development quality, and ultimately to ensure the Company's stable, sound and sustainable development.

We have entered into a new historical era with a new historic mission. Under the strong leadership of the Board of the Company, and with the continuous support of our investors and friends from all circles of life, we will weather the storm in concert, strengthen and improve our performance and achieve scientific development. Going forward, we are set to prevail against formidable odds and to enter into a new phase of scientific development so to contribute to a better and faster development of the national economy.



Corporate Information

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

* *For identification purpose only*

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

Company Profile

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

We are a large conglomerate operating in various specialized fields, across different industries and in many countries, with engineering and construction, equipment manufacturing, resources development, and property development as our principal businesses. We have core competency in innovation and industrialization of technology and strong construction capabilities in metallurgical engineering. We are one of the largest engineering and construction companies in the PRC and even in the world. In 2010, the Parent Group, which holds the Company as its core asset, ranked 315th among the Fortune Global 500 companies and 8th among the Top 225 Global Contractors according to ENR, representing a climb of 65 and 1 place in ranking respectively as compared to that of the previous year.

As at the end of the Reporting Period, the A Shares of the Company had been selected to be a constituent stock of, among others, the SSE 50 Index, SSE 180 Index, CSI 300 Index, FTSE/Xinhua China A50 Index, while the H Shares of the Company had been selected to be a constituent stock of, among others, the Hang Seng Conglomerate Index, Hang Seng China A Industry Top Index and Hang Seng China 50 Index.

The Company has 57 principal wholly-owned or non-wholly owned subsidiaries (二級全資及控股子公司) both in the PRC and abroad, which are detailed as follows:

Central Research Institute of Building and Construction Co., Ltd., MCC Group	MCC Hi-Tech Engineering Co., Ltd.
Beijing MCC Equipment Research & Design Corporation Ltd.	MCC Communication Engineering Technology Co., Ltd.
Wuhan Research Institute of Metallurgical Construction, Co., Ltd.	MCC Tongsin Resources Ltd.
China Enfi Engineering Co., Ltd.	MCC Australia Holding Pty Ltd.
MCC Capital Engineering & Research Incorporation Limited	MCC Minera Sierra Grande S.A
CISDI Engineering Co., Ltd.	MCC-JJJ Mining Development Company Limited
WISDRI Engineering & Research Incorporation Limited	Ramu NiCo Management (MCC) Limited
Huatian Engineering & Technology Corporation, MCC	MCC Huludao Nonferrous Metals Group Co., Ltd.
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	MCC Xiangxi Mining Co., Ltd.
Zhong Ye Chang Tian International Engineering Co., Ltd.	MCC Real Estate Group Co., Ltd.*
Beris Group Corporation*	MCC Finance Corporation Ltd.

Northern Engineering & Technology Corporation, MCC

CCTEC Engineering Co., Ltd.

Shen Kan Engineering & Technology Corporation, MCC

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

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

China First Metallurgical Group Co., Ltd.*

China Second Metallurgical Group Corporation Limited*

China MCC 3 Group Co., Ltd.

China MCC 5 Group Co., Ltd.

MCC TianGong Group Corporation Limited*

China MCC 17 Group Co., Ltd.

China Metallurgical Construction Co., Ltd.

China MCC 19 Group Co., Ltd.

China MCC 20 Group Co., Ltd.

China 22MCC Group Co., Ltd.

Shanghai Baoye Group Corp., Ltd.

MCC Huaye Resources Development Co., Ltd.*

MCC Baosteel Technology Services Co., Ltd.

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

MCC International Engineering Technology Co., Ltd.

MCC Overseas Ltd.

China MCC International Economic and Trade Co., Ltd.

MCC Mining (Western Australia) Pty Ltd.

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

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

Chongqing Iron and Steel Designing Institute Co., Ltd.

Wuhan Iron and Steel Design & Research Incorporation Limited

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

Anshan Engineering & Research Incorporation of Metallurgical Industry

Anshan Coking and Refractory Engineering Consulting Corporation

Changsha Metallurgical Design & Research Institute Co., Ltd.

Shenyang Institute of Geotechnical Investigation Corporation, MCC

China 13th Metallurgical Construction Corporation

China No. 18 Metallurgical Construction Co., Ltd.

China Huaye Group Co., Ltd.*

* The former China First Metallurgical Construction Corporation Institute (中國第一冶金建設有限公司) was renamed as China First Metallurgical Group Co., Ltd. (中國一冶集團有限責任公司). The former China Second Metallurgical Construction Corporation Limited (中國第二冶金建設有限公司) has changed its name to China Second Metallurgy Group Corporation Limited (中國二冶集團有限公司). The former MCC Tiangong Construction Corporation Limited (中冶天工建設有限公司) was renamed as MCC TianGong Group Corporation Limited (中冶天工集團有限公司). The former MCC Real Estate Co., Ltd. has changed its name to MCC Real Estate Group Co., Ltd. and the former North China Metallurgical Construction Co., Ltd. has changed its name to China Huaye Group Co., Ltd. (中國華冶科工集團有限公司). After the Reporting Period, MCC Huaye Resources Development Co., Ltd. was acquired and merged with China Huaye Group Co., Ltd. (中國華冶科工集團有限公司).

Financial Highlights

1. OVERVIEW

The Company's financial position as at 31 December 2010 and the operating results for the 12 months ended 31 December 2010 (the "Reporting Period" or the "Year") are highlighted as follows:

- Revenue amounted to RMB206,397 million, representing a year-on-year increase of RMB40,902 million or 24.71% from RMB165,495 million in 2009.

- Profit for the year amounted to RMB5,571 million, representing a year-on-year increase of RMB383 million or 7.38% from RMB5,188 million in 2009.

- Profit attributable to equity holders of the Company amounted to RMB5,321 million, representing a year-on-year increase of RMB896 million or 20.25% from RMB4,425 million in 2009.

- Basic earnings per share amounted to RMB0.28, representing a decrease of RMB0.02 or 6.67% from RMB0.30 in 2009.

- As at 31 December 2010, the total assets amounted to RMB288,221 million, representing an increase of RMB56,380 million or 24.32% from RMB231,841 million in 2009.

- Total equity amounted to RMB53,512 million, representing an increase of RMB7,436 million or 16.14% from RMB46,076 million in 2009.

- Newly-signed contract value amounted to RMB285,014 million, representing an increase of 30.23% from 2009, including USD4,025 million of newly-signed overseas contracts.

2. REVENUE FROM PRINCIPAL BUSINESS SEGMENTS

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

- **Engineering and construction business**

  Segment revenue amounted to RMB157,706 million, representing an increase of RMB20,534 million or 14.97% from RMB137,172 million in 2009.

- **Equipment manufacturing business**

  Segment revenue amounted to RMB10,584 million, representing an increase of RMB1,495 million or 16.45% from RMB9,089 million in 2009.

- **Resources development business**

  Segment revenue amounted to RMB10,937 million, representing an increase of RMB3,293 million or 43.08% from RMB7,644 million in 2009.

- **Property development business**

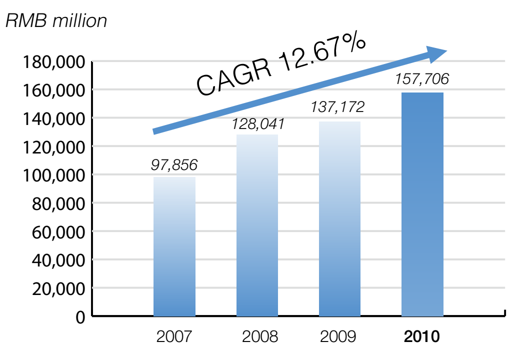
  Segment revenue amounted to RMB24,909 million, representing an increase of RMB15,471 million or 163.92% from RMB9,438 million in 2009.

- **Other businesses**

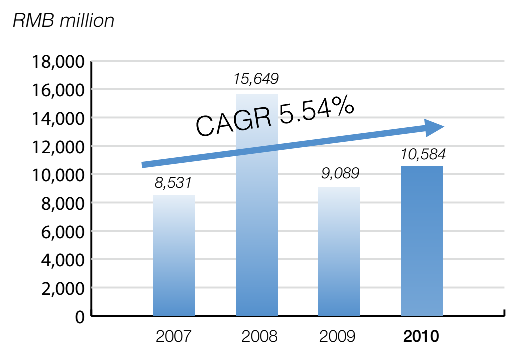
  Segment revenue amounted to RMB6,089 million, representing an increase of RMB2,278 million or 59.77% from RMB3,811 million in 2009.

Note: The segment revenue is the revenue before inter-segment elimination.

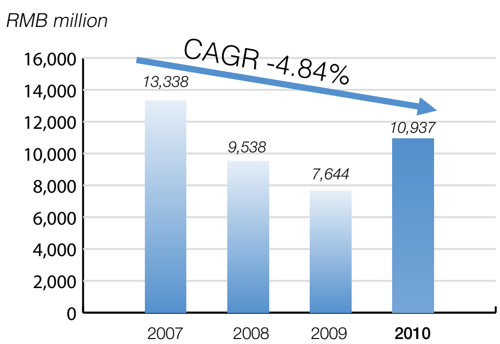
Engineering and construction business



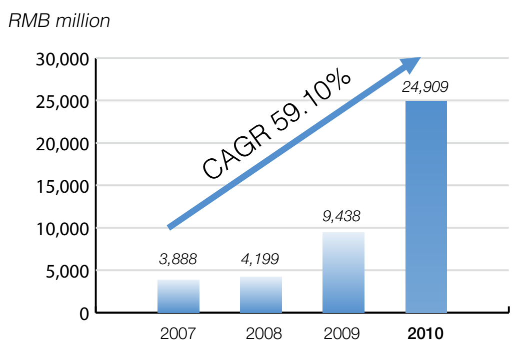
Equipment manufacturing business



Resources development business



Property development business



3. SUMMARY OF FINANCIAL STATEMENTS

Summary of financial statements prepared in accordance with IFRS

Consolidated Income Statement

	For the year ended 31 December	
	2010	2009 (As restated)
	RMB million	*RMB million*
Revenue	**206,397**	165,495
Cost of sales	**(185,635)**	(149,686)
Gross profit	**20,762**	15,809
Selling and marketing expenses	**(1,530)**	(1,043)
Administrative expenses	**(9,689)**	(7,202)
Other income	**1,112**	955
Other (losses)/gains-net	**(21)**	39
Other expenses	**(198)**	(140)
Operating profit	**10,436**	8,418
Finance income	**849**	806
Finance costs	**(2,876)**	(2,621)
Share of profits of associates	**134**	85
Profit before income tax	**8,543**	6,688
Income tax expense	**(2,972)**	(1,500)
Profit for the period	**5,571**	5,188
Attributable to:		
Equity holders of the Company	**5,321**	4,425
Non-controlling interests	**250**	763
Earnings per share for profit attributable to equity holders of the Company		
— Basic earnings per share *(RMB)*	**0.28**	0.30
— Diluted earnings per share *(RMB)*	**0.28**	0.30
Dividends	**898**	1,875

Summary of Consolidated Total Assets and Total Liabilities

	As at 31 December	
	2010	2009 (As restated)
	RMB million	*RMB million*
Total assets	**288,221**	231,841
Total liabilities	**234,709**	185,765
Net assets	**53,512**	46,076

Note: Financial information of 2009 was restated. see note2.1 to consolidated financial statements.

Changes in Share Capital and Particulars of Shareholders

(I) CHANGES IN SHARE CAPITAL

(1) Table of changes in share

Unit: share

	Before change		Increase/decrease (+, -)					After change	
	Number	Percentage (%)	Issue of new shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number	Percentage (%)
I. Shares subject to selling restrictions									
1. State-owned shares	350,000,000	1.83	—	—	—	-3,500,000	-3,500,000	346,500,000	1.82
2. Shares held by state-owned legal person	12,389,000,000	64.83	—	—	—	-123,891,500	-123,891,500	12,265,108,500	64.18
3. Other domestic shareholding	—	—	—	—	—	—	—	—	—
Including: Shares held by domestic non-state-owned legal person	—	—	—	—	—	—	—	—	—
Shares held by domestic individuals	—	—	—	—	—	—	—	—	—
4. Foreign shareholding	305,155,000	1.60	—	—	—	-305,155,000	-305,155,000	0	0
Including: Shares held by overseas legal person	—	—	—	—	—	—	—	—	—
Shares held by overseas individuals	—	—	—	—	—	—	—	—	—
II. Shares not subject to selling restrictions									
1. Renminbi-denominated ordinary shares	3,500,000,000	18.32	—	—	—	127,391,500	127,391,500	3,627,391,500	18.98
2. PRC-listed foreign shares	—	—	—	—	—	—	—	—	—
3. Overseas-listed foreign shares	2,565,845,000	13.42	—	—	—	305,155,000	305,155,000	2,871,000,000	15.02
4. Others	—	—	—	—	—	—	—	—	—
III. Total number of shares	19,110,000,000	100	—	—	—	0	0	19,110,000,000	100

(2) Changes in shares subject to selling restrictions

Unit: Share

Name of shareholders	Number of shares subject to selling restrictions as at the beginning of the year	Released during the year	Additions during the year	Number of shares subject to selling restrictions as at the end of the year	Reason for being subject to selling restrictions	Date of releasing selling restrictions
China Metallurgical Group Corporation	12,265,108,500	0	0	12,265,108,500	Shares of controlling shareholder are subject to selling restrictions for a period of 36 months commencing from the A Share listing date	21 September 2012
Baosteel Group Corporation	123,891,500	123,891,500	0	0	Shares held by it prior to the initial public offering of the A Shares are subject to selling restrictions for a period of 1 year commencing from the A Shares listing date	21 September 2010
The National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	346,500,000	0	0	346,500,000	Assumed lock-up undertaking of the Parent	21 September 2012
The National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	3,500,0000	3,500,000	0	0	Assumed lock-up undertaking of Baosteel Group Corporation	21 September 2010
H Share cornerstone investors	305,155,000	305,155,000	0	0	Issue of H Shares subject to selling restrictions under the relevant cornerstone investor agreement	24 March 2010
Total	13,044,155,000	432,546,500	0	12,611,608,500	/	/

(II) ISSUE AND LISTING OF SECURITIES

(1) Issue of securities in the last three years

Unit: Share

Types of shares and derivative securities	Date of issue	Issuing price	Number of securities issued	Date of listing	Number of securities approved for trading and listing
A Shares	9 September 2009	RMB5.42	3,500,000,000	21 September 2009	3,500,000,000
H Shares	24 September 2009	HK$6.35	2,871,000,000	24 September 2009	2,871,000,000

In September 2009, A Shares and H Shares of the Company were successively issued and successfully listed in both Shanghai and Hong Kong. The issuing price of A Shares and H Shares were RMB5.42 per share and HK$6.35 per share respectively. During this public offering, 3,500,000,000 A Shares and 2,871,000,000 H Shares were issued. During the listing of A Shares and H Shares, the Parent and Baosteel Group transferred an aggregate of 350,000,000 and 261,000,000 state-owned domestic Shares held by them respectively to the National Council for Social Security Fund of the PRC, in accordance with relevant State regulations. Upon completion of the aforesaid offering, the Company had a total share capital of 19,110,000,000 shares, comprising 16,239,000,000 A Shares and 2,871,000,000 H Shares. The Parent, our controlling shareholder, held 12,265,108,500 A Shares, representing 64.18% of the Company's total share capital. The number of A Shares held by the public was 3,500,000,000, representing 18.31% of the total share capital of the Company. H Share holders held 2,871,000,000 Shares, representing 15.02% of the total issued share capital of the Company.

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

There were no changes in the total number of shares of the Company, nor were there any changes in the total share capital and share capital structure of the Company due to bonus issue and share placement or otherwise during the Reporting Period.

(3) Existing internal employee shares

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

(III) PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON

(1) Number of Shareholders and their shareholding

1. Number of Shareholders and their shareholding

As at the end of the Reporting Period, the Company had a total of 396,032 Shareholders.

Particulars of the top 10 Shareholders

Unit: Share

Name of Shareholder	Change during the Reporting Period	Total number of shares held at the end of the period	Percentage (%)	Number of shares subject to selling restrictions held	Number of shares pledged or frozen	Nature of Shareholder
China Metallurgical Group Corporation	0	12,265,108,500	64.18	12,265,108,500	Nil	State-owned legal person
HKSCC Nominees Limited*	-3,152,000	2,854,681,000	14.94		Unknown	Others
The National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	0	350,000,000	1.83	346,500,000	Unknown	State
Baosteel Group Corporation	0	123,891,500	0.65		Unknown	State-owned legal person
Industrial and Commercial Bank of China — China Southern Longyuan Industrial Subject Stock Investment Fund (中國工商銀行－南方隆元產業主題股票型證券投資基金)	38,660,760	73,931,946	0.39		Unknown	Others
Industrial and Commercial Bank of China — Shanghai Stock Exchange 50 ETF (中國工商銀行－上證50交易型開放式指數證券投資基金)	36,621,115	36,621,115	0.19		Unknown	Others
Bank of China - Harvest CSI 300 Index Securities Investment Fund (中國銀行－嘉實滬深300指數證券投資基金)	6,791,100	27,926,316	0.15		Unknown	Others
PICC Property and Casualty Company Limited — Traditional-general insurance products-008C-CT001 Shanghai (中國人民財產保險股份有限公司－傳統－普通保險產品-008C-CT001滬)	6,200,000	22,737,948	0.12		Unknown	Others
Industrial and Commercial Bank of China Limited — Hua Xia Hu Shen 300 Index Securities Investment Fund (中國工商銀行股份有限公司－華夏滬深300指數證券投資基金)	6,700,000	20,200,000	0.11		Unknown	Others
Guosen Securities Company Limited	0	17,856,666	0.09		Unknown	Others

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

2. *Particulars of top 10 holders of shares not subject to selling restrictions*

Unit: share

Name of Shareholder	Number of shares not subject to selling restrictions held	Type of shares
HKSCC Nominees Limited*	2,854,681,000	H Shares
Baosteel Group Corporation	123,891,500	A Shares
Industrial and Commercial Bank of China — China Southern Longyuan Industrial Subject Stock Investment Fund (中國工商銀行 — 南方隆元產業主題股票型證券投資基金)	73,931,946	A Shares
Industrial and Commercial Bank of China — Shanghai Stock Exchange 50 ETF (中國工商銀行 — 上證50交易型開放式指數證券投資基金)	36,621,115	A Shares
Bank of China — Harvest CSI 300 Index Securities Investment Fund (中國銀行 — 嘉實滬深300指數證券投資基金)	27,926,316	A Shares
PICC Property and Casualty Company Limited — Traditional-general insurance products-008C-CT001 Shanghai (中國人民財產保險股份有限公司— 傳統 — 普通保險產品-008C-CT001滬)	22,737,948	A Shares
Industrial and Commercial Bank of China Limited — Hua Xia Hu Shen 300 Index Securities Investment Fund (中國工商銀行股份有限公司 — 華夏滬深300指數證券投資基金)	20,200,000	A Shares
Guosen Securities Company Limited	17,856,666	A Shares
Bank of Communications— E Fund 50 Index Securities Investment Fund (交通銀行 — 易方達50指數證券投資基金)	17,580,064	A Shares
Industrial and Commercial Bank of China — Kaiyuan Equity Fund (中國工商銀行— 開元證券投資基金)	17,000,000	A Shares

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

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

3. *Particulars of the top 10 holders of shares subject to selling restrictions and information on the selling restrictions*

Unit: Share

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

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

(2) Controlling Shareholder and Ultimate Controlling Person

1. *Controlling shareholder*

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

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

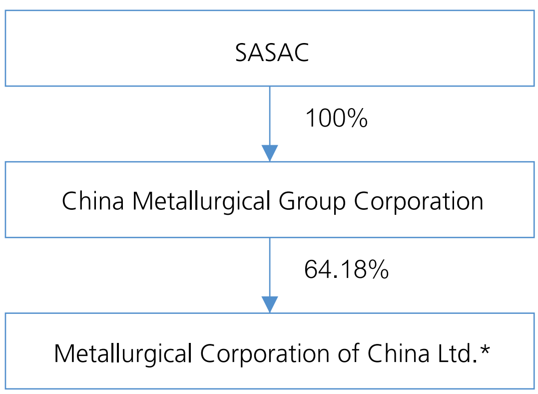
2. *Ultimate controlling person*

SASAC is the ultimate controlling person of the Company.

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

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

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



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

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

Biographies of Directors, Supervisors and Senior Management

Biographies of the Directors, Supervisors and Senior Management of the Company as at 31 December 2010 are set out below. Mr. Shao Jinhui, who has reached his statutory retirement age, has ceased to be the employee representative supervisor since 18 January 2011 upon the approval of the employee representative congress.

I. DIRECTORS

Mr. Jing Tianliang（經天亮）

aged 65, is the Chairman of the Company and concurrently the chairman of China Metallurgical Group Corporation（中國冶金科工集團有限公司）and the external director of Baosteel Group Corporation（寶鋼集團有限公司）. Mr. Jing is a professor-level senior engineer who graduated from Xi'an Mining Institute with an associate degree in electrical and mechanical engineering in 1967. Since March 2010 when Mr. Jing joined China Metallurgical Group Corporation, he has served as the deputy director general of the Ministry of Coal Industry, the Ministry of Energy Resources and China National Coal Corporation*（中國統配煤礦總公司）, the chairman and general manager of China Coal Industrial Import and Export Corporation*（中國煤炭工業進出口集團公司）, the director general of the General Office of the Administration of Coal Industry, the director general of the General Office and the Department of Foreign Affairs of the State Administration of Coal Industry, the general manager of China National Coal Group Corporation*（中國中煤能源集團有限公司）and the chairman of China Coal Energy Company Limited（中國中煤能源股份有限公司）. With effect from March 2010, Mr. Jing was appointed as the chairman of China Metallurgical Group Corporation and was appointed as the Chairman of the Company from 29 June 2010.

Mr. Wang Weimin（王為民）

aged 49, is the vice chairman and executive Director of the Company. Mr. Wang is a senior engineer who graduated from Academy of Armored Force Technology（裝甲兵技術學院）in 1984 with a Bachelor's degree in mechanical engineering. Mr. Wang joined China Metallurgical Group Corporation in July 2007. He was a cadre of the Training Department of Academy of Armored Force Engineering（裝甲兵工程學院）and a cadre of the Armored Force Political Section of the General Staff Department of the People's Liberation Army（總參裝甲兵政治部）. Mr. Wang was a cadre of the Economic and Trade Office of the State Council from July 1992 to July 1993 and a cadre of the Personnel Department of the State Economic and Trade Commission from July 1993 to February 1995, and had served as deputy director, director and deputy director-general of the Technical Progress and the Arms & Equipment Department（技術進步與裝備司）of the State Economic and Trade Commission during the period from February 1995 to May 2003. He served as deputy director-general of the High-tech Industry Department of the NDRC from May 2003 to July 2003 and secretary of the General Office of the SASAC from July 2003 to September 2006. He was secretary for the Office of the Communist Party Committee of the SASAC from September 2006 to July 2007. Mr. Wang served as secretary of the Communist Party Committee and vice chairman of China Metallurgical Group Corporation from July 2007 to September 2008, and has been vice chairman and general manager (legal representative) and vice secretary of the Communist Party Committee of China Metallurgical Group Corporation since September 2008. Mr. Wang was the chairman of MCC Paper Industry Co., Ltd.（中冶紙業集團有限公司）from August 2009 to January 2011. He was appointed as the vice chairman and executive Director of the Company with effect from 28 November 2008.

Mr. Shen Heting（沈鶴庭）

aged 56, is the president and executive Director of the Company. Mr. Shen is a professor-level senior engineer who graduated from Tianjin Commercial College in 1987, majoring in business enterprise management, and completed a postgraduate course at the Central Communist Party School in 2004 majoring in world economics. Mr. Shen joined the Company in 1991. He had served as manager assistant, vice manager and manager in the Furnace Construction Company under the 22nd China Metallurgical Construction Corporation（中國第二十二冶金建設公司築爐公司）, and general manager of the 22nd China Metallurgical Construction Corporation. Mr. Shen served as a director and general manager of China Metallurgical Construction (Group) Corporation (which changed its name to China Metallurgical Group Corporation in May 2006) from October 2004 to July 2007 and a director, general manager (legal representative) and vice secretary of the Communist Party Committee of China Metallurgical Group Corporation from July 2007 to September 2008, and has been serving as chairman of MCC Xinao Real Estate Development Co., Ltd.（中冶新奧房地產開發有限公司）(which changed its name to MCC Real Estate Co., Ltd. in February 2006) from March 2005 to October 2010 and secretary of the Communist Party Committee and vice chairman of China Metallurgical Group Corporation since September 2008. Mr. Shen was appointed as the president and executive Director of the Company with effect from 28 November 2008.

Mr. Guo Wenqing（國文清）

aged 46, is the employee representative Director (non-executive Director) of the Company. Mr. Guo is a senior engineer who graduated from Hebei University of Science and Technology in 2001 with a Bachelor's degree in business administration, and obtained an Executive MBA degree from Tsinghua University in 2008. Prior to joining our Company in December 2008, Mr. Guo had served as deputy director, and director and secretary of the Communist Party Committee of the Hebei Province Highways Authority（河北省高速公路管理局, chairman of the board of directors and general manager of Hebei Province Highways Development Company Limited（河北省高速公路開發有限公司）and director of the Hebei Province Ports Authority（河北省港航管理局）since 1994. From 2002 to 2008, he was an executive director and vice general manager and secretary of the Communist Party Committee of CRBC International Co., Ltd. He has served as secretary of the Communist Party Committee of our Company since December 2008, and a director and secretary of the Communist Party Committee of China Metallurgical Group Corporation since April 2009. Mr. Guo was appointed as the employee representative Director (non-executive Director) of the Company with effect from 19 June 2009.

Mr. Jiang Longsheng（蔣龍生）

aged 65, is an independent non-executive Director of the Company. Mr. Jiang is a senior engineer who graduated from Beijing Petroleum Institute（北京石油學院）in 1970, majoring in oil and gas well engineering. Mr. Jiang joined China Metallurgical Group Corporation in December 2006. Previously he had served as vice chief engineer and chief engineer (drilling) of CNOOC Nanhai West Corporation and general manager of China Offshore Oil Southern Drilling Company. Mr. Jiang served as vice general manager and a member of the Party Group of China National Offshore Oil Corporation from March 1998 to May 2005. He has been serving as an external director of China National Pharmaceutical Group Corporation since December 2005 and was an external director of China Metallurgical Group Corporation from December 2006 to September 2008. Mr. Jiang was appointed as an independent non-executive Director of the Company with effect from 28 November 2008.

Mr. Wen Keqin (文克勤)

aged 66, is an independent non-executive Director of the Company. Mr. Wen graduated in 1968 from the Department of Engineering of Railway Guard Engineering Institute (鐵道兵學院), majoring in linear tunnel (線隧). Mr. Wen joined China Metallurgical Group Corporation in December 2006. Previously he had served as director of the Local Cadres Administration of the Organisation Department of the Central Committee of the Communist Party of China (中央組織部地方幹部局), vice director-general of the Senior Civil Servants Administration Department (高級公務員管理司), vice director-general and director-general of the Personnel Administration Department (國管人事司), member of the Party Group (部黨組成員), director of the Enterprise Leaders Administrative Bureau (企業領導人員管理局) and director-general of the Policy and Regulation Administration Department (政策法規司) of the Ministry of Personnel. Mr. Wen had served as vice general manager, vice secretary of the Party Group and a member of the Party Group of China Grain Reserves Corporation from 2000 to 2005. He has been a director of China National Pharmaceutical Group Corporation since September 2006, and was an external director of China Metallurgical Group Corporation from December 2006 to September 2008. Mr. Wen currently serves as consultant of Chinese Grain Economics Association and consultant to the Reserves Branch of China Grain Industry Association (中國糧食行業協會儲備分會). Mr. Wen was appointed as an independent non-executive Director of the Company with effect from 28 November 2008.

Mr. Liu Li (劉力)

aged 55, is an independent non-executive Director of the Company. Mr. Liu is a professor who graduated from Peking University in 1982 and 1984 with a Bachelor's and a Master's degree in physics, respectively, and obtained an MBA degree from Catholic University of Louvain, Belgium in 1989, majoring in applied economics. Mr. Liu joined the Company in December 2006. Previously he had served as lecturer, associate professor, professor and tutor to doctorate candidates in the Department of Economic Management of the School of Economics of Peking University (which became Guanghua School of Management of Peking University in 1993) and MBA course director and Dean of the Finance and Banking Department of the Guanghua School of Management of Peking University. He has been vice director of the Research Center for Finance & Securities of Peking University since August 2002 and dean of the Department of Finance of Guanghua School of Management of Peking University since September 2007 and executive director of the Center of Financial Engineering and Financial Mathematics of Peking University since September 2008. Mr. Liu served as an external director of China Metallurgical Group Corporation from December 2006 to September 2008. Mr. Liu has had over 20 years of experience in teaching, research and corporate training in relation to corporate finance and the securities market, and has advised on numerous corporate management projects and served as independent directors of listed companies. Mr. Liu was appointed as an independent non-executive Director of the Company with effect from 28 November 2008.

Mr. Chen Yongkuan (陳永寬)

aged 65, is an independent non-executive Director of the Company. Mr. Chen is a professor who graduated from Wuhan Institute of Hydraulic and Electrical Engineering (武漢水利電力學院) in 1968, majoring in farm hydraulic engineering, and obtained a Master's degree in engineering from Wuhan Institute of Hydraulic and Electrical Engineering (武漢水利電力學院) in 1982. Mr. Chen joined the Company in November 2008. Previously, he had served as associate professor, deputy department head, assistant to the dean, deputy dean and dean of the Department of Civil Engineering of Changsha Communications University (長沙交通學院) and director-general of the Education Department of the Ministry of Communications. Mr. Chen had served as secretary of the Communist Party Committee, vice chairman and vice president of China Harbour Construction Company (Group) (中國港灣建設(集團)總公司) from October 1998 to August 2005 and secretary of the Communist Party Committee and vice chairman of China Communications Construction Group Ltd. from August 2005 to August 2007, during which he also served as vice chairman of China Communications Construction Company Limited. Mr. Chen currently serves as an independent director of China South Locomotive & Rolling Stock Corporation Limited. Mr. Chen was appointed as an independent non-executive Director of the Company with effect from 28 November 2008.

Mr. Cheung Yukming（張鈺明）

aged 58, is an independent non-executive Director of the Company. Mr. Cheung is a member of the Hong Kong Institute of Bankers, a member of the Institute of Internal Auditors of the United States, a member of the Alliance of Acquisition and Merger Advisors (Chicago, the United States), an associate of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Securities Institute（證券專業學會（香港））. Mr. Cheung studied "Industrial Engineering" in the Hong Kong Polytechnic University and "Economics of Mineral Resources and Policy Analysis"（礦產經濟學及決策分析）in China University of Geosciences. Mr. Cheung obtained a Master's degree in business administration from the University of East Asia, Macau in 1987. Mr. Cheung is currently undertaking a one-year course of "Advanced Research Class on the Development and Investment Strategies of the Mineral Industry in China"（中國礦業開發投資戰略高級研修班）in China University of Geosciences. Prior to joining our Company in June 2009, Mr. Cheung had served as assistant auditor and senior accountant at PriceWaterhouse, and was a partner of Lau, Cheung, Fung & Chan. He has been an executive director of Lawrence CPA Limited since January 2005 and an independent non-executive director of TravelSky Technology Limited since March 2010. Mr. Cheung was appointed as an independent non-executive Director of the Company with effect from 19 June 2009.

II. SUPERVISORS

Mr. Han Changlin（韓長林）

aged 59, is the chairman of the Supervisory Committee of the Company. Mr. Han is a senior accountant who graduated in 1986 from Shanghai School of Finance and Economics（上海財經大學）, majoring in industrial accounting. Mr. Han joined the Company in 1998. Previously he had served as cost accountant, accountant and deputy director of the Finance Division, assistant to the manager and chief accountant of the 7th Company under the 13th China Metallurgical Construction Corporation（中國第十三冶金建設公司七公司）and deputy director of the Finance Office of the Construction Department of the Ministry of Metallurgical Industry. He served as director of the Corporate Finance Office and director of the Pricing Office of the Economic Regulation Department（經濟調節司）of the Ministry of Metallurgical Industry, and deputy director of the Audit Office of the Ministry of Metallurgical Industry (under the National Audit Office)（審計署駐冶金工業部審計局）. He was a director, chief accountant and vice general manager of China Metallurgical Construction (Group) Corporation. Since November 2004, Mr. Han has been serving as a director of China Metallurgical Construction (Group) Corporation (which is now known as China Metallurgical Group Corporation). Mr. Han was appointed as a Supervisor of the Company with effect from 28 November 2008.

Mr. Peng Haiqing（彭海清）

aged 39, is a Supervisor of the Company. Mr. Peng is a senior accountant who graduated from the Department of Economic Management of the Qinhuangdao branch of Northeastern University in 1993 with a Bachelor's degree in industrial accounting. Mr. Peng joined the Company in July 1993. Previously he had served as assistant to the director of the Finance Division, deputy director of the Enterprise Management Office and deputy director and secretary to the manager of the Economic Office of the 3rd Company under Shanghai Bao Steel Metallurgical Construction Corp.（上海寶鋼冶金建設公司）. Mr. Peng was director of the Cost Management Division of the Finance Office of Shanghai Bao Steel Metallurgical Construction Corp. from September 2000 to January 2003 and deputy director of the Planning and Finance Department and deputy director of the Audit Department of Shanghai Baoye Construction Corp., Ltd. from January 2003 to December 2005. He was director of the Property Office of the Planning and Finance Department of China Metallurgical Group Corporation from January 2006 to November 2008, and served as director of the Property Office of the Planning and Finance Department of the Company from December 2008 to June 2009. Mr. Peng was appointed as a Supervisor of the Company with effect from 28 November 2008.

Mr. Shao Jinhui（邵金輝）

aged 60, was the employee representative Supervisor of the Company during the Reporting Period. Mr. Shao is a senior accountant who graduated from the Department of Infrastructure Economics of Liaoning Finance Institute（遼寧財經學院）in 1982 with a Bachelor's degree in infrastructure finance and credit. Mr. Shao joined China Metallurgical Construction (Group) Corporation in 1995. Previously he had served as deputy director and director of the Finance Office of the Construction Department of the Ministry of Metallurgical Industry and director of the Finance Department of China Metallurgical Construction (Group) Corporation. Mr. Shao had served as director of the Finance Department, the Group Management Department and the Corporate Reform Department of China Metallurgical Construction (Group) Corporation from 1998 to 2006. He served as employee representative supervisor of China Metallurgical Construction (Group) Corporation from 2000 to 2006 and deputy chief economist of China Metallurgical Group Corporation from 2007 to January 2009. He was appointed as deputy chief economist of the Company with effect from January 2009. During the Reporting Period, Mr. Shao served as chairman of MCC Xiangxi Mining Co., Ltd.（中冶湘西礦業有限公司）, director of CCTEC Engineering Co., LTD., director of MCC Tongsin Resources Ltd., director of MCC Finance Corporation LTD., chairman of the supervisory committee of CISDI Engineering Co., Ltd. and chairman of the supervisory committee of Northern Engineering & Technology Corporation, MCC. Mr. Shao was appointed as a Supervisor of the Company with effect from 28 November 2008. He resigned as the employee representative supervisor upon reaching his statutory retirement age on 18 January 2011.

On 18 January 2011, the Assembly of Employee Representatives of the Company elected Mr. Shao Bo as the employee representative Supervisor of the Company.

Mr. Shao Bo（邵波）

aged 47, is the current employee representative supervisor of the Company. Mr. Shao is a professor-level senior engineer who graduated in 1987 from East China Institute of Chemical Technology (華東化工學院), majoring in coal chemistry. Mr. Shao joined the Company in August 1987. He once served as assistant engineer, secretary of the Communist Youth League, engineer and deputy director of the business office at Beijing Central Engineering and Research Incorporation of Iron & Steel Industry (北京鋼鐵設計研究總院), section member of the general office and Vice Division Chief level investigator (副處級調研員) of the Ministry of Metallurgical Industry, secretary of the office of director general of the National Metallurgical Bureau and project manager of the No.6 project division of China Metallurgical Equipment Corporation (中國冶金設備總公司項目六部項目經理). He served as deputy general manager of Real Estate Company under China Metallurgical Mining Corporation (中國冶金礦業總公司房地產公司) from May 2001 to December 2002; assistant to the head of Beijing Central Engineering and Research Incorporation of Iron & Steel Industry (北京鋼鐵設計研究總院) from December 2002 to November 2003; deputy head of Beijing Central Engineering and Research Incorporation of Iron & Steel Industry and director and secretary to the board of directors of MCC Capital Engineering & Research Incorporation Limited (中冶京誠工程技術有限公司) from November 2003 to February 2007; the standing deputy director of the listing office of the Parent and director and secretary to the board of directors of MCC Capital Engineering & Research Incorporation from February 2007 to January 2009; the standing deputy director of the listing office and head of the general affairs department of the Parent, director of MCC Capital Engineering & Research Incorporation and general manager and legal representative of Beijing Dongxing Metallurgical New-Tech & Development Corp. (北京東星冶金新技術開發公司) from January 2009 to September 2009; head of the general affairs department of MCC Group, director of MCC Capital Engineering & Research Incorporation and general manager and legal representative of Beijing Dongxing Metallurgical New-Tech & Development Corp. from September 2009 to March 2010. Since March 2010, Mr. Shao has been serving as part-time supervisor and head of the general affairs department of the Parent, director of MCC Capital Engineering & Research Incorporation and general manager and legal representative of Beijing Dongxing Metallurgical New-Tech & Development Corp.

III. SENIOR MANAGEMENT

Mr. Shen Heting（沈鶴庭）

see "Directors" as stated above.

Ms. Huang Dan（黃丹）

aged 49, is the Vice President of the Company. Ms. Huang is a professor-level senior engineer who graduated from the Department of Mine of Central-South Institute of Mining and Metallurgy in 1982 with a Bachelor's degree in mineral separation. Ms. Huang joined the Company in January 1982. Previously she had served as associate engineer, engineer and senior engineer of the Mineral Separation Office, director of the Department of Science and Technology, director of the Department of Personnel and president of Changsha Metallurgical Design & Research Institute. Ms. Huang was the chairman and general manager of Zhong Ye ChangTian International Engineering Co., LTD. and president of Changsha Metallurgical Design & Research Institute from March 2003 to October 2004. She served as vice general manager of China Metallurgical Construction (Group) Corporation (which changed its name to China Metallurgical Group Corporation in May 2006) from October 2004 to September 2008 and secretary to the board of directors of China Metallurgical Group Corporation from November 2006 to January 2009. She has been the secretary to the board of directors and the joint company secretary of Metallurgical Corporation of China Ltd.* from November 2008 to November 2010 and her appointment as the Vice President of the Company took effect from 28 November 2008.

Mr. Wang Yongguang（王永光）

aged 53, is the Vice President of the Company. Mr. Wang is a professor-level senior engineer who graduated from Northeastern Institute of Technology in 1982 with a Bachelor's degree in mining, and obtained a Master's degree in mining engineering from Beijing General Research Institute of Mining & Metallurgy in 1986. Mr. Wang joined China Metallurgical Construction (Group) Corporation in November 2004. Previously he had served as an assistant engineer in Zhangjiakou Gold Mine（張家口金礦）in Hebei Province, engineer in the Mining Office of the Beijing General Research Institute of Mining & Metallurgy, deputy director of the Mine Department of the Copper and Nickel Office of China National Nonferrous Metals Industry Corporation（中國有色金屬工業總公司）, deputy director of the Enterprise Management Department, manager of the Gansu Branch, director of the Information Center, director-level commissioner in the Copper Center of China National Nonferrous Metals Import and Export Corporation（中國有色金屬進出口總公司）, and vice general manager of the Raw Materials Center of Non-Ferrous Metal Industrial and Trade Group Corporation of China（中國有色金屬工業貿易集團公司）. Mr. Wang was deputy general manager of China Shougang International Trade & Engineering Corporation from February 1999 to December 2003, during which he served as general manager of Shougang Hierro Peru S.A.A and manager of the Ore Import Department of China Shougang International Trade & Engineering Corporation. He served as chief representative of HISMELT Project of Shougang Group in Australia from December 2003 to November 2004 and vice general manager of China Metallurgical Construction (Group) Corporation (which changed its name to China Metallurgical Group Corporation in May 2006) from November 2004 to September 2008. Mr. Wang was appointed as the Vice President of the Company with effect from 28 November 2008.

Mr. Li Shiyu（李世鈺）

aged 54, is the Vice President and chief accountant (chief financial controller) of the Company. Mr. Li is a senior accountant who graduated from Liaoning University in 1991, majoring in corporate management, and obtained a Master's degree in accounting from Northern Jiaotong University in 1999. Mr. Li joined China Metallurgical Group Corporation in August 2006. Previously he had served as deputy director and director of the Accounting Division of the Finance Department of the 19th Engineering Bureau of the Ministry of Railway（鐵道部第十九工程局）and accountant of the Finance Department of China Railway Construction Corporation. He served as deputy director of the Finance Department of China Railway Construction Corporation from March 1996 to November 1998 and director of the Finance Department of China Railway Construction Corporation from November 1998 to December 2005. Mr. Li was deputy chief accountant of China Railway Construction Corporation from December 2005 to August 2006 and the chief accountant of China Metallurgical Group Corporation from August 2006 to September 2008. Mr. Li was appointed as the Vice President and chief accountant (chief financial controller) of the Company with effect from 28 November 2008.

Mr. Zhang Zhaoxiang（張兆祥）

aged 47, is the Vice President of the Company. Mr. Zhang is a professor-level senior engineer who obtained a Bachelor's and a Master's degree in chemical machinery from Tianjin University in 1984 and 1987, respectively. Mr. Zhang joined the Company in 2005. Previously he had served as engineer, deputy director of the Jinchuan Branch, director of the General Office and vice president of Beijing Research Institute of Non-ferrous Metallurgical Equipment（北京有色冶金設計研究總院）, and vice president, president and secretary of the Communist Party Committee of China Nonferrous Engineering and Research Institute. During the period from December 2005 to February 2008, he had served as chairman and general manager of China Enfi Engineering Corporation, and president and secretary of the Communist Party Committee of China Nonferrous Engineering and Research Institute. He was chairman of China Enfi Engineering Corporation and president and secretary of the Communist Party Committee of China Nonferrous Engineering and Research Institute from February 2008 to November 2008 and was an executive director, general manager and secretary of the Communist Party Committee of China Enfi Engineering Co., Ltd. from August 2008 to November 2008 following the conversion of China Nonferrous Engineering and Research Institute into China Enfi Engineering Co., Ltd. in August 2008. Mr. Zhang was appointed as the Vice President of the Company with effect from 28 November 2008.

Mr. Wang Xiufeng（王秀峰）

aged 40, is the Vice President of the Company. Mr. Wang is a senior accountant who graduated from Northeastern University in 1993 with a Bachelor's degree in industrial accounting and obtained an EMBA degree from Tsinghua University later on. Mr.Wang joined the Company in 1993. Previously he had served as deputy chief accountant and chief accountant of the Electromechanical Company of the 22nd China Metallurgical Construction Corporation（中國第二十二冶金建設公司機電公司）and director of the Planning and Finance Department, deputy chief accountant and vice general manager of the 22nd China Metallurgical Construction Corporation. Mr. Wang was the general manager and vice secretary of the Communist Party Committee of the 22nd China Metallurgical Construction Corporation from December 2004 to November 2006 and was chairman and secretary of the Communist Party Committee of MCC Jingtang Construction Corporation Limited and general manager of the 22nd China Metallurgical Construction Corporation from November 2006 to November 2008 and was an executive director and general manager of China 22nd Metallurgical Construction Corporation Limited from August 2008 to November 2008 following the conversion of the 22nd China Metallurgical Construction Corporation into China 22nd Metallurgical Construction Corporation Limited in August 2008. Mr. Wang was appointed as the Vice President of the Company with effect from 28 November 2008.

IV. JOINT COMPANY SECRETARIES

Mr. Kang Chengye(康承業)

aged 54, is currently the secretary to the Board and joint company secretary of the Company. Mr. Kang is a professor-level senior engineer. He graduated in 1986 from the Xi'an Institute of Metallurgical Construction where he majored in industrial and civil construction. He obtained an MBA degree in 2004 from The Open University of Hong Kong and an EMBA degree in 2006 from Fudan University. Mr. Kang graduated in 2008 from Party School of the Central Committee of C.P.C. where he attended a graduate programme in law theory, and obtained a doctoral degree in management in 2010 from Tianjin University where he specialised in management science and engineering. He is a PhD supervisor at Xi'an University of Architecture and Technology. Mr. Kang joined the Company in 1975. Mr. Kang was a member of China MCC 20th Machinery and Transportation Company, technician of the Electrical Installation Office of China MCC 20th Construction Corporation ("MCC 20th Construction"), member, Deputy Head and Head of the Planning Office and Economist, Deputy Head and Head of the Business Planning Office of MCC 20th Construction. He was Deputy Chief Economist and Head of the Business Planning Office of MCC 20th Construction from September 1996 to March 2001, Deputy General Manager and Chief Economist of MCC 20th Construction from March 2001 to October 2006, and Director, Deputy General Manager and Chief Economist of China MCC 20 Construction Co., Ltd. from October 2006 to June 2008. He was the Chairman of the Board of Directors and Secretary of the Party Committee of China MCC 17 Group Co., Ltd. (previously named"China MCC 17 Construction Co., Ltd.") from June 2008 to November 2010. He was appointed as the secretary to the Board and the joint company secretary of the Company with effect from 29 November 2010.

Ms. Ma Sau Kuen Gloria(馬秀絹)

aged 52, is the joint company secretary of the Company. Ms. Ma is a director and the head of registration and compliance services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Ma is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom and holds a master degree in Business Administration from the University of Strathclyde. She was appointed as the joint company secretary of the company with effect from 29 November 2010.

Report of Directors

I. BUSINESS OVERVIEW

(I) Business Segments of the Company

1. Engineering and Construction Business

(1) Industry Overview

In 2010, China's overall national economy was in a good shape, with the national GDP amounting to RMB39.80 trillion, up 10.3% as compared with 2009 in terms of comparable prices. The country's investment continued to expedite and its investment portfolio continued to improve. In 2010, the country's fixed asset investments aggregated RMB27.81 trillion, representing a growth of 23.8% and an actual growth of 19.5% over 2009 if prices are not taken into account.

In 2010, the construction industry in China had maintained its rapid growth, with a total production value of RMB9,520,600 million, representing a growth of 24.00% over 2009. Newly-signed contract value over the year amounted to RMB10,768,395 million, representing an increase of 26.30% over 2009. The fast-growing construction industry had driven the Company's engineering and construction business to grow further.

The metallurgical engineering and construction market where the Company directly operates its engineering and construction business saw sustained increase in domestic iron and steel production in 2010 as iron and steel enterprises deepened efforts in industry restructuring, replacing the outdated capacity, and in energy saving and emission reduction in response to the State's macro-control policies to curb new capacity in the iron and steel industry. However, such growth was below the 2009 level. In 2010, the national pig iron output reached 590 million tons, up 7.42% over the same period of last year while annual crude steel output reached 627 million tons, up 9.26% over the same period of last year. On fixed asset investments, moderate growth in the ferrous metallurgy and rolling processing industry led completed fixed asset investments over the year to increase by 6.10% over the same period of last year to RMB346,502 million. Though pressure remains in the metallurgical engineering and construction market as iron and steel enterprises are still mired in low profitability, the ferrous metallurgy and rolling processing industry managed to sustain a rapid momentum. Completed fixed asset investment over the year amounted to RMB292,404 million, representing an increase of 35.80% over the same period of last year.

Other engineering and construction markets in 2010 saw an increase in the total GFA under construction by the construction industry in China by 19.00% over 2009 to 7,010 million sq.m.. Area of newly commenced construction was 3,742.6781 million sq.m., representing an increase of 24.40% over 2009. Meanwhile, the State continued to restructure and reinvigorate key industries, develop emerging industries of strategic importance and coordinate faster urbanization and construction of new villages to speed up economic shift and refining its economic structure, thereby provided ample room for the Company to tap into the non-metallurgical engineering and construction projects.

(2) Business Operation

In 2010, though the Group faced difficulties in operating its engineering and construction business in the metallurgical construction market that remained in doldrums, it doubled efforts in industry restructuring, cemented its presence in traditional markets whilst penetrating new markets. With non-metallurgical engineering and construction business taking up a larger proportion of the Group's business, the Group's efforts paid off. By reducing its over-reliance on the iron and steel metallurgy market, it enhanced its ability to confront market risks, which marked remarkable success. In adherence to its EPC engineering and construction modes, the Group focused on enhancing the application of EPC modes in engineering and construction. Through the provision of one-stop services, the Group added economic value to its construction projects.

The overall operating results of the engineering and construction segment in 2010

Unit: RMB00' million

	2010	% of the total	2009 (As restated)	Year-on-year growth
Segment revenue	**1,577.06**	75.02%	1,371.72	14.97%
Segment results	**64.59**	59.94%	69.07	-6.49%
New contracted value	**2,184.59**	—	1,850.00	18.08%

For details of certain major projects under the Company's engineering and construction segment that were newly signed in 2010, please refer to "Other Material Contracts" as set out on page 119 in this report.

Metallurgical Engineering and Construction Market

In 2010, the Group made steady progress with its existing projects whilst enhancing its market expansion by keeping abreast of new information about new projects. During the Reporting Period, the Group entered into major metallurgical engineering and construction contracts such as the bid of Pansteel's phase VI steel making construction by consolidated use of titanomagnetite in Xichang (攀鋼西昌釩鈦資源綜合利用項目煉鋼工程VI標段項目) and the bid of Pansteel's phase V steel making construction, the integration, reorganization, renovation and upgrade project of Tangshan Bohai Iron and Steel Co., Ltd. (唐山渤海鋼鐵有限公司整合重組改造升級工程), the Phase IV coking project of Angang (鞍鋼四期焦化項目), Shougang Jingtang's bell-type annealing furnace project (首鋼京唐罩式退火爐工程) and the project of copper smelting with a capacity of 100,000 tons per year of Yunnan Tin (雲南錫業年產10萬噸銅冶煉工程), which maintained its unrivalled presence in the domestic metallurgical engineering and construction market.

Non-metallurgical Engineering and Construction Market

During the Reporting Period, leveraging the Group's remarkable brand influence, construction management and consolidated strength, the Group had put great efforts in opening up the non-metallurgical engineering and construction market. A portfolio of large-scale municipal roads, sports stadiums and business complex projects were undertaken during the Reporting Period. Meanwhile, the Group witnessed considerable growth in property construction by making great efforts in developing social welfare housing projects. Major projects undertaken included the 1.238 million sq.m. "康莊美地" public rental housing project in Chongqing City and the 0.75 million sq.m. "康居西城" public rental housing project, Dadaowan Social Welfare Housing Project in Anshan City (鞍山達道灣保障性住房項目), Bayilu Extension Line (八一路延長綫工程) of Wuhan City, Phase 2 European and Asian construction project of Tianjin Xingyaowuzhou (天津星耀五洲歐亞二期建設項目) and Zhuhai Shizimen Business District (Phase 1 Convention and Business Complex) Project (珠海十字門商務區(會展商務組團一期)項目) etc.

In addition, in active response to the State's call for energy saving, emission reduction, green production and recycling economy and in compliance with its relevant requirements, the Group made remarkable progress in the environmental protection market. During the Reporting Period, Central Research Institute of Building and Construction Co., Ltd., MCC Group, a subsidiary of the Group, pushed ahead phase II of the steel slag zero emission project upon the commencement of production of phase 1 in Xinyu and Jiujiang. Having undertaken a series of new general construction contracting projects including residual-heat power generation, flue-gas desulfurization, steel slag treatment, waste water treatment and waste incineration power generation, the Group's strength in the consultation and design of domestic waste incineration power generation remains uncontested. The inauguration of the 30 MW On-grid PV Power Station Project in Zhongwei of Ningxia (寧夏中衛30兆瓦併網光伏電站項目) also marked a breakthrough for the Group's clean energy development.

Overseas Market Expansion

In 2010, the Group made the best of its edges as a whole, and its advantageous position on professionalism and technology during overseas market expansion, attaching importance to the expansion of its overseas iron and steel markets, increase of the export of steel structure technologies and products and the acquisition of more resource-related general construction contracting projects. It also developed other overseas construction projects by evaluating its own strength. The Group remained focused on countries and regions such as South America, Australia, Southeast Asia, India, Russia and Iran for EPC contracting project development, and designated design enterprises to explore these areas so as to keep a close track on the iron and steel construction, steel structure and resource-related general construction contracting projects of these regions.

During the Reporting Period, the Group signed new overseas construction contracts as follows: the joint development of CHINA FIRST coal mine EPCM project in Australia by MCC as the EPCM contractor and enterprises such as China Coal Technology & Engineering Group Corporation (中國煤炭科工集團有限公司), China Power International Holding Limited (中國電力國際有限公司), China Railway Group Limited and China Communications Construction Company Limited, which marked a brand new integrated model of EPC contracting and resources development, the contracting of ArcelorMittal Group's sintering project in Brazil (阿塞樂米塔爾集團巴西燒結項目) and the entering into of CSN's metallurgical equipment supply project in Brazil (including steel smelting, continuous casting and steel making by electric furnace), which marked the successful export of China's steel technology to Brazil and enhanced the Group's influence in Brazil and South America markets. The Group has put much effort in opening up the civilian construction and infrastructure projects in the Middle East regions and won the bid of Sabah Al-Salem University Construction and Petroleum Institute Project in Kuwait (科威特Sabah Al-Salem大學城工程與石油學院項目) by seizing opportunities arising from the Middle East, which took lead in economic recovery, and consolidating its edges on internal resources.

Awards

In 2010, the Group received numerous awards in respect of the projects undertaken or in which it had participated, fully testifying the Group's competitiveness in the engineering and construction industry, particularly on metallurgical engineering and construction.

Awards of engineering and construction of the Company for 2010

Awards	Number of Awards
Luban Awards (including participation in construction)	6
Including: Luban Awards for overseas project	1
National High Quality Project Awards (including participation in construction)	13
High Quality Awards in the Metallurgical Industry	138
Including: Survey-related	25
Design-related	83
Engineering-related	30

2. *Equipment Manufacturing Business*

(1) Industry Overview

In recent years, China's equipment manufacturing industry experienced steady growth and is gradually approaching the critical stage of industry restructuring and upgrade. To encourage development of high-tech and new industries and the advanced equipment manufacturing sector, the State has issued important documents such as The Opinions on Accelerating the Invigoration of the Equipment Manufacturing Industry promulgated by the State Council (《國務院關於加快振興裝備製造業的若干意見》), the Plan on the Overhaul and Invigoration of the Equipment Manufacturing Industry《裝備製造業調整和振興規劃》and the Catalogue of Autonomous Innovation of Major Technological Equipment (《重大技術裝備自主創新指導目錄》), which covered 18 key domains and 240 equipment and products including clean and efficient power generation equipment, large-scale fuel and petrochemical equipment, large-scale and high-precision full-set metallurgical equipment, key basic components and large-scale forging, with a view to accelerating the localization of large-scale high-end equipment. At present, both the development of a recycling economy as well as energy saving and emission reduction are at the top of the State's agenda. By frequently urging the importance of a recycling economy and pressing ahead with energy saving and emission reduction, the State is set to build a conservation-oriented society. Moreover, market support and funding together with stronger enforcement policies in respect of energy saving, emission reduction and tax relief created opportunities for equipment manufacturers.

In particular, the industrial upgrade and product restructuring in the iron and steel industry have strengthened the demand for specialized metallurgical equipment, which is mainly driven by fixed assets investment and daily production consumption of the metallurgical industry. Under the guidance and support of the State's policies, various metallurgical equipment manufacturers have put greater efforts in developing advanced and new technologies to improve products added value, resulting in a sustained growth in revenue of the metallurgical equipment manufacturing industry in spite of restrictions on additional production capacity of the iron and steel industry. From January to November 2010, the total revenue of specialized metallurgical equipment manufacturing in China amounted to RMB85,021 million, representing an increase of 7.27% over last year; while the total profit amounted to RMB5,260 million, representing an increase of 4.81% over last year. As various metallurgical equipment manufacturers produced a large batch of professional equipment up to international standards, they gradually resolved the problem of over-reliance on imported metallurgical equipment and steadily worked towards the localization of metallurgical equipment.

Furthermore, the State's steel structure industry shows bright prospects. At present, China's steel structure market is mainly diversified into areas such as metallurgy, electricity, roads and bridges, offshore construction, property construction, large venues, transport hubs, residential housing, machinery and equipment as well as furniture and home appliances. The application of steel structure construction is expanding with higher standards of quality as demand of bridges used in traffic engineering, municipal construction and steel structural housing continues to grow, hence the steel structure market will gradually see ample room for development.

(2) The overall operating results of the segment

Business under the Group's equipment manufacturing segment mainly includes research and development, design, manufacturing, sales, installation, fine-tuning, inspection and repair of metallurgical equipment and its spare parts, steel structures and other metal products as well as related services.

The overall operating results of the equipment manufacturing segment in 2010

Unit: RMB00' million

	2010	% of total	2009 (As restated)	Year-on-year growth
Segment revenue	**105.84**	5.03%	90.89	16.45%
Segment result	**-0.89**	-0.83%	2.04	-143.63%

The equipment manufacturing segment of the Group mainly includes five categories of products:

Equipments (including machinery and equipment, electronic control and instrument control equipment). With designed capacity of 410,900 tons and 28,000 sets, this category recorded output of 219,100 tons and 17,800 sets respectively in 2010, representing a year-on-year increase of 37.63% and 40.16% respectively.

Ferrous metallurgy and rolling processing products (including pig iron, continuously cast steel slabs, cold-rolled sheet and welded pipes). With a designed capacity of 2,178,000 tons, this category recorded an output of 695,800 tons in 2010, representing a year-on-year increase of 19.41%.

Metal products (including steel structures, steel bar connecting sleeve and fine blanking parts). With designed capacity of 2,130,200 tons, 5,200,000 units and 20,000,000 units, the category recorded output of 1,184,500 tons, 1,673,300 units and 5,695,300 units respectively in 2010.

Non-metal products (including commercial concrete, cement, grouting materials and refractory materials). With designed capacity of 11,520,000 m³ and 726,500 tons, the category recorded output of 8,570,200 m³ and 314,000 tons respectively in 2010, representing year-on-year increase of 29.59% and 39.25% respectively.

Others (including building blocks, amusement equipments and movable dwellings) The category recorded output of 44,600 tons and 5 sets in 2010.

In 2010, the Group put more efforts in the management of equipment manufacturing business and accelerated the progress of projects, thus recording an array of phased achievements. The first 4,000t pre-stressed and wire twined multi-directional forging press machine (預應力鋼絲纏繞4,000t多向模鍛壓機) which was independently developed, designed, produced, assembled, installed and tested by the Group in cooperation with Tsinghua University, succeeded in its trial run, which represented a substantial breakthrough in the technique of multi-directional forging press. Through speeding up equipment test and technique improvement, MCC-SFRE press roller project began trial production smoothly. In addition, the Group proactively took part in the construction of the Shanghai World Expo venue and undertook the processing and installation of steel structures. The move further consolidated the Group's leading position in high-end steel structures buildings such as large stadiums.

3. Resources development business

(1) Industry overview

Resources development business mainly refers to exploration, mining, processing, smelting and deep processing of metal and non-metal mineral resources. The Company's resources development business mainly focuses on the base metal (including iron, copper, nickel, lead and zinc) sector.

Year 2010 saw a worldwide recovery of economy. Although the recovery was slow in developed countries, the overall trend was optimistic. The sustained economic growth drove the metal consumption demand. In 2010, base metal market gradually saw shortage in supply and a turnaround in supply and demand. The Company is engaged in the development of metals including iron ore, copper, nickel, lead and zinc, whose outputs increased to different extents as compared with 2009, whether in global market or China market. In international market, consumption of copper, nickel and zinc grew more rapidly as compared with 2009. The consumption of copper and nickel outpaced the growth in their output.

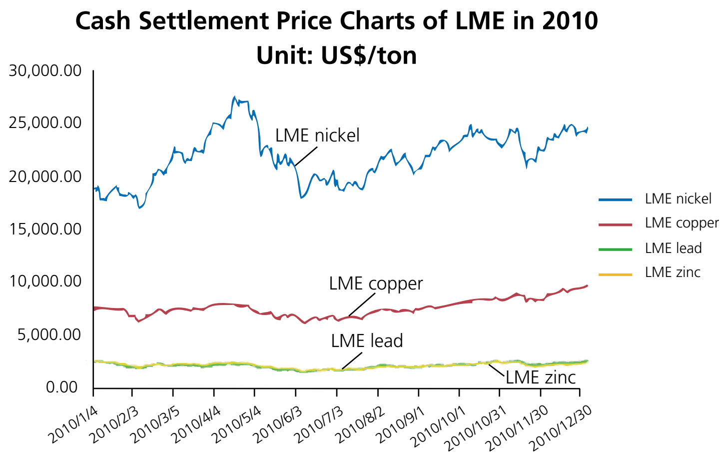
Output and Consumption of the Resources Development Industry in 2009 and 2010

Unit: 0'000 tons

		World			China		
	Type	2009	**2010**	**Growth rate**	2009	**2010**	**Growth rate**
Output	Iron ore	164,000	**185,000**	12.8%	88,127	**107,156**	21.6%
	Copper	1,865.4	**1,910.2**	2.4%	614.4	**642.0**	4.5%
	Nickel	132.7	**141.7**	6.8%	24.7	**35.2**	42.5%
	Lead	885.0	**895.1**	1.1%	370.8	**382.9**	3.3%
	Zinc	1,143.0	**1,254.4**	9.7%	435.7	**498.5**	14.4%
Consumption	Iron ore	—	**—**	—	71,400	**71,754**	0.5%
	Copper	1,824.3	**1,934.2**	6.0%	714.4	**754.3**	5.6%
	Nickel	129.9	**151.1**	16.3%	54.1	**52.5**	-3.0%
	Lead	893.5	**892.5**	-0.1%	386.0	**384.3**	-0.44%
	Zinc	1,118.8	**1,216.5**	8.7%	488.8	**516.3**	5.6%

Notes: Figures for copper, nickel, lead and zinc, which refers to amount of metal, was sourced from "World Metal Statistics" while the figures for 2010 are estimates only. Output of China's iron ore refers to amount of raw ores.

In 2010, market price of iron ore increased by 50% and reached nearly US$200/ton. The prices of metal such as copper, nickel, lead and zinc as a whole picked up steadily.



(2) Business operations

According to the Group's growth strategy and phased development need for resource development segment, the Group's priority in resource development business in 2010 was to complete the construction of existing projects and put them into production as soon as possible, thus realizing economic benefits from resources. Meanwhile, the Group continued to focus on the development of base metals including lead, zinc, nickel, cobalt, copper and iron, while seeking and acquiring mineral resources projects with favourable resource conditions in countries with stable political environments.

The overall operating results of the resource development segment in 2010

Unit: RMB00' million

	2010	% of total	2009 (As restated)	Year-on-year growth
Segment revenue	**109.37**	5.20%	76.44	43.08%
Segment result	**5.48**	5.08%	3.68	48.91%

Annual Output of Certain Projects in the Resources Segment for 2010

Name of project	Product category	Unit	Output in 2010
Saindak Copper-Gold Mine	blister copper	t	18,805
	iron ore concentrates	t	14,775
Duddar Lead-Zinc Mine	lead ore concentrates	t	2,552
	zinc ore concentrates	t	21,812
Ningcheng Iron Mine	iron ore concentrates	t	387,498
Jinchang Iron Mine	iron ore concentrates	t	73,095
Luoyang China Silicon Hi-tech Corporation	polysilicon	t	4,117
MCC Huludao Nonferrous Metals Group Co., Ltd.	zinc	t	356,000
	lead	t	16,428
	silver	kg	24,053
	sulfuric acid	t	555,295

In 2010, the operation status of some resource projects of the Group are as follows:

Saindak Copper-Gold Mine, Pakistan: In 2010, the total stripping volume amounted to 14.35 million tons, and ore processing volume was 5.23 million tons. The mine produced an aggregate of 83,509 tons of copper ore concentrates which contained 19,337 tons of copper and approximately 18,805 tons of blister copper. Operating revenue from Saindak project amounted to RMB1.39 billion in 2010.

Duddar Lead-Zinc Mine, Pakistan: The upper level exploitation system and processing field commenced operation at the end of 2009, with a production capacity of 600 tons of ore per day. The lower level exploitation system is under construction. In 2010, the mine processed ore of 204,592 tons, with lead ore concentrates containing 1,280 tons of lead and zinc ore concentrates containing 9,099 tons of zinc.

Luoyang China Silicon Hi-tech Corporation: In 2010, with stable production, the production technique was further improved and the quality of the products improved steadily. As production cost was slashed, sales of products could not meet the demand. The new phase of a polysilicon project with an annual production capacity of 5,000 tons and cutting project progressed smoothly. In the meantime, it seized market opportunities and established good and stable customer relationship.

In 2010, the Group's resource segment proactively pushed ahead the construction of projects as scheduled. The progress of the projects is detailed as follows:

Ramu Nico project, Papua New Guinea: The project has been in the stage of closeout and started combined trial-run. 95% of main construction of the project has completed and its equipments are currently under single unit trial-run and a combined system trial-run. In particular, the whole production line has undergone three cold water combined trial-runs, and three high pressure leaching systems relating to the main processes of the smelting plant had completed installation (one of them had achieved 48-hour (cold water) and 72-hour continuous runs). After trial-run with water through ore slurry pipeline connecting the mine and the smelting plant, it started a cold water combined trial-run and a load trial-run for mine-ore slurry pipeline-deep sea placement system. Construction of the warehouse and storage yard had been completed. Meanwhile, trainings for domestic and foreign staff were proactively carried out in respect of production and management while the building of the production team was strengthened, thus ensuring smooth transition of the project from construction to production.

Aynak Copper Mine, Afghanistan: The major progress of the project in 2010 is as follows: measurements were completed for the design of No. 3 and No.7 tailings dam, processing plant, smelting plant, explosive ground station, mine access road (middle section), and the administration welfare project. Construction and installations have been completed for 25 board rooms in the temporary camps of the Chinese party and 5 board rooms in the camps of the Afghan party. Environment evaluation and screening report for the project have been completed and submitted to the Ministry of Mine and Environment Protection Agency of Afghanistan, and are still subject to approval. After completion of tendering for companies engaged in geological exploration, engineering geological exploration, design, construction and project supervision, some companies have started the relevant work. In general, phased achievements were made in 2010 in the preliminary work of projects such as environment evaluation and examination exploration. However, the 19 historic Buddhism heritage sites found within the boundaries and in the vicinity of the open mining area at the central mines, had directly affected the infrastructure stripping of the areas in concern. At present, such historic sites are being unearthed by the Ministry of Culture of Afghanistan and France Dafa Company (法國大發公司). The Company and related parties are now taking proactive measures, aspiring to make further progress on the project.

Cape Lambert Iron Ore, Australia: The first draft of a feasibility study report has been completed and optimization for the feasibility study is in the pipeline.

Sierra Grande iron mine, Argentina: In 2010, the Group verified the feasibility study of the project and iron concentrate powder produced in the project upon resumption of production is sold to users in China on a trial basis.

4. *Property Development Business*

(1) Industry Overview

According to the National Development Strategy, urbanization will continue its progress in China, thus securing growth potentials for the property market in China. In 2010, investments in China's property development continued to maintain a growth momentum. Completed investments in property development in China amounted to RMB4,826,700 million, representing an increase of 33.2% over the last year, of which commodity residential properties still accounted for the largest portion. Completed investments in the area amounted to RMB3,403,800 million, representing an increase of 32.9% and accounting for 70.5% of the investment in property development. In 2010, the GFA under construction by property development enterprises was 4,055 million sq.m., representing an increase of 26.6% over the last year. Area of newly commenced construction was 1,638 million sq.m., representing an increase of 40.7%, while the GFA completed amounted to 760 million sq.m., up 4.5% over last year. Of which residential GFA completed amounted to 612 million sq.m., up 2.7% over last year. In 2010, land purchased by property development enterprises in China was 410 million sq.m., up 28.4% over last year. Land purchase expenses amounted to RMB999,200 million, up 65.9% over last year.

In 2010, PRC government set the development of social welfare housing projects as a major measure for restructuring of property market. The PRC government continued to step up its support for social welfare housing through measures such as inclusion of the housing problem faced by low-income families in urban cities as one of the pressing tasks aiming at improving people's livelihood, continuously perfecting national policies and systems, as well as propping up investment. In accordance with the deployment of the State Council, 5.80 million units were constructed for social welfare housing and redeveloping urban shanty areas, and 1.20 million units of dilapidated houses were reconstructed in rural area in 2010. In 2010, the country commenced construction of 5.90 million units of houses for social welfare housing and redevelopment of urban shanty areas, of which 3.70 million units were basically completed. Reconstruction of 1.36 million units of dilapidated houses commenced in rural area, of which 1.08 million units were basically completed. In December 2010, the following target was clearly presented again at the Central Economic Working Conference: "to accelerate construction of social welfare housing system, enhance government's responsibility and mobilize social powers to strengthen construction of affordable housing projects and speed up reconstruction of dilapidated houses in rural areas, vigorously develop public rental residence to alleviate difficulties people encountered in residence, and to form a social welfare housing system and commercial residence system in line with China's conditions". Ministry of Housing and Urban-Rural Development pointed out in the Notice in Relation to Submission of Social Welfare Housing Projects Construction Task, that 10 million units shall be completed for the social welfare housing projects in 2011, representing an increase of 72.4% as compared with 5.80 million units in 2010.

(2) Business Operation

The Group's property development business mainly comprises development and sale of residential and commercial properties as well as land development.

The overall operating results of the property development segment in 2010

Unit: RMB00'million

	2010	% of total	2009 (As restated)	Year-on-year growth
Segment revenue	**249.09**	11.85%	94.38	163.92%
Segment result	**38.01**	35.27%	10.46	263.38%

Specific operating results of the property development segment in 2010

Unit: RMB00'million, 0'000 sq.m.

	2010	**Year-on-year growth**
Total investment	**432.6**	270%
Contracted sales area	**129**	11.4%
Contracted sales	**132**	25.0%
GFA completed	**253**	127.2%
GFA under construction	**1,448**	174.0%
Including: newly commenced GFA	**940**	238.2%
GFA under land reserve	**385**	58.4%

In 2010, there were a total of 72 property development projects newly launched and projects for primary land development by the Group, with a total investment of approximately RMB176 billion and a total GFA of 23.47 million sq.m., which laid a firm foundation for the Group's property development. Of these projects, 24 were social welfare housing projects with a total investment of RMB25.7 billion and a total GFA of 5.64 million sq.m., which were scattered mainly in provinces and cities such as Tianjin, Shanghai, Liaoning, Hebei, Anhui, Jiangsu and Zhejiang, while 28 were commodity residential properties with a total investment of RMB42.2 billion and a total GFA of 10.95 million sq.m., which mainly included commercial residential, complex and commercial buildings featuring a clustering culture and 5 were primary land development projects with a total investment of RMB5.8 billion and consolidation of 410,000 sq.m. of land was completed.

As one of the state-owned enterprises that, as confirmed by the SASAC, take property development as one of their principal businesses, the Group actively participated in the development of social welfare housing projects leveraging on our capacity in financing, designing and construction as well as our favourable reputation in the performance of contracts. The substantial increase in the proportion of social welfare housing projects in our property development helped us minimize the adverse impact of macro-control policies on the real estate market and seize business opportunities, through which we established an admirable image as an enterprise owned by the PRC government. The Group's subsidiaries including Shanghai Baoye Group Corp., Ltd. (上海寶冶集團有限公司), China 22MCC Group Co., Ltd. and China MCC 17 Group Co., Ltd. were identified as key government co-operators in development of social welfare housing projects by local governments in Shanghai, Tangshan of Hebei, and Ma'anshan of Anhui.

(II) Working Ideology in Scientific Research, Scientific Research Contribution and Achievements

1. Working Ideology in Scientific Research

In 2010, the Company basically identified the working ideology during the "Three Five-year Plan" period:

Firstly, the Company will focus on the construction of technical innovation system, based on the three-level technical innovation platform featuring "National Engineering Technology Research Center – MCC and provincial level engineering technology center – Subsidiaries' engineering technology centers", set up a central technical research platform, and form a two-layer three-level technical innovation system, so as to greatly enhance our independent innovation capability and core competitiveness.

We will further consolidate, maintain and promote the construction of national innovative enterprise, proactively build national technical innovation platform, foster innovative enterprises within the Company, and endeavour to improve the existing three-level technical innovation platform featuring "National Engineering Technical Research Center — MCC and provincial level engineering technical center — Subsidiary Engineering Technical Center". We strive to establish a central technical research platform on headquarters level to proceed with strategic and prospective research and development and form two-layer three-level technical innovation system. Meanwhile, based on the advantageous resources and development demand of our subsidiaries as well as overall technical strategy deployment of the Company, we will try to establish group-level and subsidiary-level technical research and development platforms for all subsidiaries. Equipped with independent research teams and sustainable stable investment in technology, we aim to make continuous progress in technical renovation and industrialization. For technology research and development projects which are forward-looking, strategic and key to the Company's long term development, we will provide substantial support so as to upgrade the Company's core competitiveness and achieve sustainable development.

Secondly, we will further strengthen the Company's management, control and coordination of the technology work, promote the utilization of technological resources and optimize the allocation of resources so as to achieve differentiated and coordinated growth of technology research and development ("R&D").

With a view of the overall technology development, we will establish the strategy of "Grand Technology", strengthen the management and control of the technology work, reinforce the organizational leadership, improve the management structure, put more efforts in establishment of rules and regulations, create new working modes, enhance the responsibility assessment and rebuild a highly efficient core R&D system. Meanwhile, we will incorporate the important technological indicators, such as construction of technological platform, direct investment in technology, initiation of scientific research projects and application for patents, into the annual assessment system for subsidiaries to enhance the evaluation of their technological work.

Guided by the technological strategy and based on investment in technology, the Group will, according to the established technological advantages and development strategy, give its subsidiaries specific guidance on the setup of core technology groups, reduce the low-level duplicated construction of technological resources to reflect differentiated development; meanwhile, it will further step up the exchange and corporation among its subsidiaries over the construction of national and group-level key scientific research platforms, efforts for breakthrough in major scientific research projects and awards for key technological achievements and commercialization of research findings to promote the sharing of technological resources within the Company and promote the Company's capabilities for technological values creation and technological influence.

Thirdly, we will further increase the investment in science and technology and improve the quality of investment to produce a batch of high-level scientific research results.

We will focus on the increase of contribution to and incentives for strategic, forwarding-looking and guiding scientific research projects, making scientific research investment a systematic and long-term mechanism; meanwhile, we will step up the construction of the management system for contribution to science and technology by establishing a sounder supervision system for scientific research funding and a better results assessment system.

We will focus on summarizing scientific achievements, ensure the quantity and quality of scientific research results, endeavor to bring forth more national-awards-winning achievements, complete the commercialization and application of some major scientific achievements to produce a group of internationally advanced scientific achievements and core technology with proprietary property intellectual rights; we will vigorously protect intellectual property rights, step up the arrangements and guidance in this respect and boost the work on overseas intellectual property rights to form a core patent group, thus ensuring our leading position in terms of quantity and quality in respect of patents among enterprises controlled by the central government.

2. *Scientific research contribution and achievements*

In 2010, the Company continued to increase the funding contribution to scientific research, leading to a significant improvement in independent innovation ability and fruitful achievements.

In 2010, the Company's investments in to science and technology amounted to RMB1,764 million, which was up 46.53% as compared with the previous year and representing 0.84% of the revenue for the year.

In 2010, the Company was granted approvals in respect of the establishment of one National Engineering Technology Research Center and one National Engineering Laboratory; was granted approvals in respect of the establishment of 1 provincial enterprise technology center, 3 provincial and ministerial engineering technology research centers, 7 MCC engineering technology centers and 3 high and new tech technology enterprises; was granted approvals for 5 projects endowed with special funds for MOST technological development and research by scientific research institutions, 3 MOF projects concerning National Key Technological Innovation and Industrialization R&D for 2010, five MOF projects concerning New Technology for Construction and R&D for 2010, 2 MOF projects concerning Scientific R&D Awards for Central Building Construction for 2010; was granted approvals in connection with 38 scientific research projects (subjects) by other ministries and commissions of the central government and local governments; six of the 6th batch of MOHURD national model projects for new technology application in the building industry was approved, ranking the Company the second place among enterprises of all provinces, autonomous regions and municipalities directly under the central government as well as enterprises owned by the PRC government; was granted 2 grade 2 National Science and Technology Advancement Awards, 15 Provincial and Ministerial Science and Technology Advancement Awards, 1 Technology Invention Award (技術發明獎), 4 China Patent Merit Awards, 9 Metallurgical Science and Technology Awards, 16 China Nonferrous Metals Science and Technology Awards, 2 China Machinery Industry Science and Technology Awards (中國機械工業科學技術獎), 6 of the Second Batch of Corporate Youth Innovation Awards (第二屆中央企業青年創新獎) and 13 technological innovation achievements under the Science and Technology Awards granted by China Construction Enterprise Management Association (中國施工企業管理協會科學技術獎技術創新成果). Meanwhile, in 2010, Phoenix International Media Center built by China 22 MCC Group Co., Ltd. was named among the first batch of Model Project for Green Construction, making the Company the only enterprise to have won this honor among all the central government–controlled building enterprises under SASAC. During the Reporting Period, 4 MCC Model Projects for New Building Technology Application and 116 MCC Science and Technology Awards for 2010 were selected in 2011, including one special prize, 15 first prizes, 33 second prizes and 67 third prizes.

In 2010, 2,415 new applications for patents (including 817 invention patents and 34 PCT patents) were made, while 1,669 patents (including 245 invention patents and 4 patents with overseas authorization) were granted approvals; verification of 173 technology achievements was completed, with 12 of them meeting international leading standards and 51 of them on a par with international advanced standards. The Company was granted 198 Provincial and Ministerial Construction Methods. The Company was approved to take charge of compilation of 15 national technology standards and 22 industry technology standards, and participate in the compilation of 38 national technology standards, 3 industry technology standards and 2 local technology standards; Its applications for the establishment of 5 postdoctoral scientific research work stations were approved.

As of 31 December 2010, the Company owned 4 national R&D institutions, 10 national design and research institutions, 5 National Engineering Technology Research Centers, 1 National Engineering Laboratory, 2 National Testing and Callibration Laboratories, 47 high and new tech state enterprises, 19 provincial and ministerial enterprise technology centers, 16 provincial and ministerial engineering technology research centers, 30 MCC engineering technology centers and 2 provincial laboratories. The Company held 3,846 authorized valid patents, including 488 invention patents and 4 patents with overseas authorization. It possessed 7 postdoctoral scientific research work stations, 4 Master's degree granting institutions. Meanwhile, it had 1 CAE (the Chinese Academy of Engineering) member, 12 National Reconnaissance Masters, 16,058 technological experts and 2,704 scientific research and development staff members.

(III) Prospects

In line with the new trend of international and domestic economic development, the Group will shift its mode of development pattern from scale and speed to quality and efficiency by improving the quality of development, deepening internal reforms and promoting industrial upgrade, so as to enhance the capability of international operations, achieve safe, sound, scientific and sustainable development as well as fashion the Group into a world-class conglomerate boasting a competitive edge over its counterparts around the world.

Major business development strategies:

(1) Engineering and Construction Business

The Group shall adhere to national policies for the iron and steel industry, stay informed of the progress of steel projects that have been approved by the State for preliminary work and fully take advantage of opportunities to promote technology renovation as well as energy saving and emission reduction for iron and steel enterprises. Furthermore, to improve the services for the production and operation of iron and steel enterprises and cement the Group's leading position and increase its market share in the domestic metallurgical construction market, the Group shall press ahead with technology innovation and the development of new techniques and products.

Apart from developing the metallurgical construction market, the Group shall tap further into other construction markets relating to highways, urban railways, environmental protection and mine construction. Leveraging the synergy with other principal business segments and secured supply of supporting technologies, equipment and personnel, the Group aims to create a new profit growth point in engineering and construction business with accumulated experience and increased competitiveness.

To speed up the implementation of the "go global" strategy. Apart from having a foothold in the metallurgical markets of countries such as Brazil, India and Australia, the Group shall, at the same time, develop its civil and infrastructure construction markets in regions including Asia, Africa, Eastern Europe, the Middle East and Latin America. Leveraging the industrial upgrade driven by technology innovation, the Group aims to promote technology and equipment exports with EPC and EP projects, thus expanding its market share in major engineering and construction business overseas.

(2) *Equipment Manufacturing Business*

To increase investment in technology innovation and improve independent research and development capability, making use of its cutting edge on both technique design and equipment design, the Group endeavors to make a breakthrough in the production of high-end equipment and materials, thus providing a new-generation of metallurgical equipment and technologies to our clients. In addition, the Group shall vigorously extend its business to railway transportation, energy saving and environmental protection as well as engineering and machinery and strengthen large-scale and whole-set productions and supply of equipments in such fields. On the basis of technology innovation, the Group strives to dominate the high-end product markets by transforming low value-added steel structure products into high value-added, quality products. In addition to ensuring its leading position in the production of industrial and civil construction steel structures, the Group also proactively taps into the infrastructure and overseas markets, so as to achieve sound industrial development.

(3) *Resource Development Business*

By adhering to its business positioning of "focusing on metallic mineral products, scarce resources in China and overseas resources development", the Group will focus on the development of metal resources such as iron, copper, lead, zinc, nickel and cobalt. By means of capital operation and mainly based upon international operations, the Group will adopt different development modes to integrate the value chains, with a view to enhancing its overall capability in resource mining, processing and smelting technologies. The Group attaches equal importance to efficiency and scale. Apart from exercising a strict control over investment risks, it also expedites the development of existing projects whilst bringing in operational, administrative and technical personnel to facilitate the production of its commissioning projects. With continuous growth in capital return and its resource development segment, it is hoped that the Group's strategic transformation will be carried out smoothly.

(4) *Property Development Business*

With a keen eye on national macro-control policies, the Company shall duly adjust its property development strategy to avoid the risk of property bubbles and optimize its market arrangements. Depending on the development of social welfare housing, the Group promotes the development of commercial property and residential property projects as well as primary land developments. The Group shall endeavor to explore new development modes, alleviate the development risks and increase the investment returns.

By sticking to the principle of "proper development with efficiency foremost", the Group spares no efforts in bolstering its competitiveness in each business segment with strict control over investment risks and tightened regulation over the whole process of project development. Besides, the Group will continue to refine the property development system led by MCC Real Estate and increase the resource intensity and professional operation ability of its principal operations with continued commitment to the unification of brand operations, in the hope of becoming a top property developer in the PRC.

Other strategic measures:

(1) Transformation of Development Mode and Optimization of Industrial Structure

The Group shall optimize the industrial structure to accommodate the changes in the industry. By extending to businesses at the top of the industrial chain with high added value, the Group is shifting its development mode from one which mainly relies on state investments to a self-reliant mode. Moreover, leveraging increased investment in technology innovation, reform and innovation in its corporate management system and streamlined corporate management structure, the Group is shifting from the "inefficient" mode which relies on a massive input of production materials to an "efficient" mode which depends on the innovation and management of a company. Under the principle of putting quality and efficiency first, the Group further adopts a different mindset by focusing on the quality of operation and the improvement of organization efficiency, which lays a solid foundation for long-term development. The Group's idea is to engineer growth by quality and efficiency rather than by scale and speed, so as to achieve sound and rapid development with enhanced quality and improved profitability.

(2) To seize development opportunities to speed up the implementation of its "going out" strategy

Leveraging its edges on all fronts such as brand, technologies and capital, the Group will unremittingly speed up the pace of "going out" and the implementation of its globalization strategy. The Group will continue to coordinate and consider the development of resources and markets at home and abroad and increase the proportion of overseas business by vigorously expanding its overseas operations in all directions. Besides, the Group will centralize its management of overseas business with strict control over overseas business risks and improve the operations of overseas projects with strengthened local management. By training, introducing and seeking versatile talents, the Group aims to enhance its efforts in human resource development in international operations. With strengthened international operation and management of the Group, the Group is confident of becoming an international conglomerate with strong competitive edges.

3) *To strengthen management competence to further streamline the management structure of the Group*

The Group will continue to upgrade its management and control capability, achieve its goals of asset preservation and appreciation and securing sustainable development through various measures such as asset management, business performance assessment, key decision-making, market-oriented coordination, development and planning of principal operations, unified capital operations and control over operating risks. Besides, the Group will continue to optimize its management system, strengthen and perfect its capital-based parent-subsidiary corporate structure, establish a sound management system based on strategic management and optimize the management function of the Parent and the operating functions of subsidiaries. In addition, through a comprehensive budget control on its finance and capital, the Group will further enhance its internal control, promote a lean internal management and tap managerial potential to improve its existing operation and management for a better development.

(4) *To further develop its independent innovative ability under the strategy of technology innovation*

The Group will continue its efforts in setting up a technology innovation system so as to maintain, reinforce and develop its presence as a national innovative enterprise, strengthen the construction of the science and technology innovation platform, obtain national financial support for scientific research, and set higher standards for its overall technology innovation. By pressing ahead with the optimization of technology resources allocation and putting greater efforts in developing technology innovation, the Group will adjust and perfect the entire layout of its technology development and enhance its enterprise competitiveness. The Group will also strengthen the research and development of new techniques, new technology and new products in order to reinforce its leading position and increase its market share in the domestic iron and steel industry. Besides, more attention will be paid to intellectual property work. The Group will attach high importance to the improvement of its patent layout in key areas and in relation to core technology and the establishment of a group of core patents and to enhance its capability and standards of intellectual property rights protection. The Group will also intensify applied research, speed up the application and industrialization of technological research achievements so as to promptly turn scientific research achievements into economic benefits. With greater guidance and instruction on the direction and strategies of the Group's overall technology development, the Group will put strategic transformation and restructuring on a technological footing.

(5) *To boost the core competitiveness of the Group by greater efforts in talent training and team building*

Adhering to its people-oriented philosophy, the Group will focus on the optimization and adjustment of human resources structure, in a bid to align its human resources structure with its industrial development. By establishing the concept that human resources are the primary resources, the Group will firmly implement the strategy of strengthening itself by talents. The Group will also stick to its approach of "valuing and respecting talents" and hence endeavor to nurture its operation and management teams, professional and technical staff and position-specific talents. To cater for the Group's needs under the "going out" strategy, it will enhance trainings to better equip its talents with a global perspective. To boost the enterprise's core competitiveness, it will emphasize on building a team of key and core talents.

(6) *To promote corporate culture by embedding "scientific development" into MCC culture*

The ultimate aim of the Group is to establish a corporate culture. To improve the quality of the development of its corporate culture, the Group will specify scientific development as part of the unique culture of MCC. It will also strive to build MCC into an international brand and promote its corporate philosophy of "dedication, loyalty, unity and entrepreneurship", so as to enhance the influence and authority of MCC culture and strengthen the cohesion of all staff. Moreover, the Group will commence studies on corporate culture as a soft issue and cement the progress it has made so far in building a national corporate culture model, and increase the penetration of MCC culture into the internal workplace. The Group will establish a sound and uniform branding system under the brand name "MCC", put great efforts in promoting information based development, create a highly effective cultural dissemination platform and continue to fully perform its social responsibilities.

II. RESULTS

The annual results of the Company for the year ended 31 December 2010 are set out in the consolidated income statement on page 133. The financial highlights of the Company for last five financial years on page 255 are extracted from the financial statements for the year and the H Share Prospectus of the Company.

III. DIVIDENDS

The Board recommended a payment of cash dividend of RMB0.047 (tax inclusive) per share to all Shareholders. Based on the total share capital of 19,110,000,000 shares of the Company as of 31 December 2010, a total cash dividend of RMB898,170,000 is expected to be paid to the Shareholders. The proposed payment of the final dividend will only become effective upon approval by Shareholders at the 2010 AGM. Should it be approved, the final dividend is expected to be paid to the Shareholders whose names appear on the register of members of the Company on Tuesday, 17 May 2011, within two months after the 2010 AGM. Under the relevant tax rules and regulations of the PRC, the Company is required to withhold corporate income tax at the rate of 10% before distributing the dividend to non-resident enterprise Shareholders whose names appear on the H Shares register of members of the Company on Tuesday, 17 May 2011. There were no interim dividends distributed by the Company for the six months ended 30 June 2010.

IV. DONATIONS

During the Reporting Period, the Company made charitable and other donations amounting approximately to RMB4 million.

V. PROPERTY, PLANT AND EQUIPMENT

Details of changes in property, plant and equipment of the Company are set out in Note 6 to the consolidated financial statements.

VI. SUBSIDIARIES AND ASSOCIATES

Details of the interests of the Company in principal subsidiaries and the interests of the Company and its principal subsidiaries in major associates as at 31 December 2010 are set out in Note 47 to the consolidated financial statements.

VII. DISCLOSURE OF INTEREST

Directors', Supervisors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2010, as far as the Company is aware, details of the interests or short positions of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Hong Kong Listing Rules are as follows:

Name	Position	Class of shares	Long/short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue *(%)*	Percentage of the total shares in issue *(%)*
Shao Bo	Supervisor	A Shares	Long position	Interests of spouse	1,000	0%	0%

Save as disclosed above and as at 31 December 2010, as far as the Company is aware, none of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which are recorded in the register of the Company required to be kept pursuant to Section 352 of the Securities and Futures Ordinance, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Hong Kong Listing Rules.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2010, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Holders of A Shares

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

Save as disclosed above, to the best knowledge of the Directors, Supervisors and chief executive of the Company, as at 31 December 2010, no other person or corporation was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position that would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

VIII. MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the amount of purchase from the top five suppliers of the Company accounted for less than 30% of the purchase amount of the Company, while the aggregate revenue from the top five customers of the Company accounted for less than 30% of the total revenue of the Company.

IX. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

X. MINIMUM PUBLIC FLOAT

During the Reporting Period, the Company has maintained sufficient public float, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

XI. RESERVES AND DISTRIBUTABLE RESERVES

Details of changes in the reserves of the Company during the Reporting Period are set out in the Consolidated Statement of Changes in Equity on pages 135 to 136 of this report and Note 23 to the consolidated financial statements.

In accordance with the Articles of Association, the reserves available for distribution for the relevant period is the lower of the amounts as shown in the financial statements prepared in accordance with PRC GAAP and IFRS, respectively.

In accordance with the PRC Company Law, the profits after tax may be distributed as dividends after being duly appropriated to the statutory reserves. As at 31 December 2010, the Company had a distributable reserve of approximately RMB7,605 million.

XII. USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERINGS

1. Overall status of proceeds

The Company raised net proceeds of HK$15,585 million in total through the H Share Offering in 24 September 2009. During the Reporting Period, the proceeds raised and used by the Company aggregated to HK$4,249 million. As at the end of the Reporting Period, the Company's used proceeds amounted to HK$7,215 million, while the unused portion amounted to HK$8,650 million (including interest accrued from proceeds deposited in the bank). H Share proceeds raised by the Company were used for the purposes in line with those set out in the H Share Prospectus. The H Share proceeds which remain temporarily unused have been deposited in the account designated for raised proceeds of the Company.

The Company raised net proceeds of RMB18,359 million in total through the A Share Offering in September 2009. During the Reporting Period, the proceeds raised through the A Share Offering used by the Company aggregated to RMB1,796 million. As at the end of the Reporting Period, the A Share proceeds already used by the Company amounted to RMB10,114 million, while the unused portion amounted to RMB8,361 million (including interest accrued from proceeds deposited in the bank and RMB1.8 billion unutilized proceeds for temporary replenishment of the Company's working capital). A Share proceeds raised by the Company were used for the purposes in line with those set out in the A Share Prospectus and further announcements. The A Share proceeds which remain temporarily unused have been deposited in the account designated for raised proceeds of the Company and will continue to be appropriated for relevant projects financed by proceeds undertaken by the Company.

2. Provisional use of unutilized proceeds as working capital during the Reporting Period

During the Reporting Period, as approved at the 15th meeting of the first session of the board of directors of the Company, no more than RMB1.8 billion of unused A Share proceeds was approved to temporarily replenish working capital of the members of the Company for a term of no more than 6 months (for details, please refer to the Company's provisional announcement dated 25 August 2010). CITIC Securities Co., Ltd. issued corresponding opinions. According to the above mentioned resolution, during the Reporting Period, an accumulative amount of RMB1.8 billion unutilized A Share proceeds had been used by the Company and its subsidiaries temporarily as working capital. By 17 February 2011, the aforementioned proceeds were fully returned to the Company's dedicated account for A Share proceeds (for details, please refer to the Company's provisional announcement dated 22 February 2011).

3. Use of raised proceeds

(1) Use of proceeds raised from H Shares of the Company

Unit: HK$0'000

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Actual amount of proceeds invested	Project progress	Revenue generated	Explanation of projects falling behind schedule or failing to achieve returns as expected
Overseas resources development projects	No	Approximately 33% of H Share proceeds	115,504.54	In progress	Cannot be confirmed until completion of the project	Injection period
Overseas construction projects	No	Approximately 45% of H Share proceeds	431,350.10	In progress	Cannot be confirmed until completion of the project	Injection period
Potential acquisitions of overseas resources	No	Approximately 11% of H Share proceeds	1,062.62	In progress	Cannot be confirmed until completion of the project	Injection period
Repayment of bank loans and replenishment of working capital	No	Approximately 11% of H Share proceeds	173,551.66	Completed	N/A	N/A
Sub-total			721,468.92			

(2) *Use of proceeds in projects undertaken to be financed by A Share proceeds*

Unit: RMB0'000

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Actual amount of proceeds invested	Is it up to schedule	Project progress	Estimated returns	Revenue generated	Is it in line with estimated returns	Explanation of projects falling behind schedule or failing to achieve return as expected
Afghanistan Aynak copper mine project	No	85,000.00	0	No	In progress	Internal rate of return of 11.01%	Cannot be confirmed until completion of the project	—	RMB400 million out of A Share proceeds was intended to be invested in this project in 2010 but such investment has not been made. The progress of the project was behind schedule, principally because village relocation, land acquisition and mine sweeping were not completed as planned. Meanwhile, the 19 historic Buddhism heritage sites found within the boundaries and in the vicinity of the open mining area at the central mines, had directly put a halt on the infrastructure stripping of the areas in concern. At present, such historic sites are being unearthed by the Culture Division of Afghanistan and France Dafa Company (法國大發公司). The Company and related parties are now taking proactive measures, aspiring to make further progress for the project.
Ramu nickel laterite mine project	No	250,000.00	250,000.00	Yes	In progress	Internal rate of return of 12.67%	Cannot be confirmed until completion of the project	—	
The innovation base project of the National Steel Structures Engineering Technology Research Center	No	150,000.00	29,800.41	No	In progress	N/A	N/A	N/A	Certain changes were intended to be made. Relevant proposals will be made in compliance with corresponding decision-making procedures and be disclosed.
Acquisition of equipment for engineering and construction and research and development	No	500,000.00	47,600.93	No	In progress	Internal rate of return of 13.21%	Cannot be confirmed until completion of the project	—	Actual proceeds used were below the planned amount. At present, equipment purchase has started successively.
The new project on the manufacturing of forged steel rolling mill and the expansion of the hot processing production capacity in Fuping County, Shaanxi Province	No	64,300.00	0	No	In progress	Internal rate of return of 10.65%	Cannot be confirmed until completion of the project	—	RMB120 million out of A share proceeds was intended to be invested in the project in 2010 but such investment has not been made. The project is under equipment testing and modification and the proceeds is expected to be used in 2011 to substitute and replace the initial investment.

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Actual amount of proceeds invested	Is it up to schedule	Project progress	Estimated returns	Revenue generated	Is it in line with estimated returns	Explanation of projects falling behind schedule or failing to achieve return as expected
The project in Caofeidian, Tangshan in relation to 500,000 tons of cold bend steel and steel structures project	No	44,000.00	43,597.22	Yes	In progress	Internal rate of return of 17.60%	Cannot be confirmed until completion of the project	—	
The project in relation to an annual production of 400,000 tons of ERW welded pipes by MCC Liaoning Dragon Pipe Industries Co., Ltd. (中冶遼寧德龍鋼管有限公司)	No	34,500.00	4,769.50	No	In progress	Internal rate of return of 20.90%	Cannot be confirmed until completion of the project	—	RMB212 million was intended to be invested in the project in 2010. Such investment has been delayed due to a delay in the construction progress following the relocation of municipal pipelines on site, with equipment still under delivery and partial payments to be paid until inspection and acceptance are completed.
The project in relation to the production base for an annual production of 100,000 tons of quality steel structures (a production line for wind tower tube) in Anshan, Liaoning	No	48,200.00	0	No	Not yet commenced	Internal rate of return of 26.69%	Cannot be confirmed until completion of the project	—	Changes were intended to be made. Relevant proposals will be made in compliance with corresponding decision-making procedures and be disclosed.
Property development project in Gaohang Town, Pudong	No	58,800.00	58,800.00	Yes	In progress	Internal rate of return of 16.35%	Cannot be confirmed until completion of the project	Yes	
The property development project of old town area renovation work (Phase II) in Yuan Yang Town,J ing Kai Yuan, North New District, Chongqing	No	50,000.00	25,765.01	No	In progress	Internal rate of return of 29.07%	Cannot be confirmed until completion of the project	—	The project runs smoothly and RMB300 million was invested in the project in 2010. The payment of proceeds was behind schedule under the premise of guaranteed construction period and project quality following the strengthening of project planning and management on general contracting.
Replenishment of working capital and repayment of bank loans	No	400,000.00	400,000.00	Yes	Completed	N/A	N/A	N/A	
Replenishment of working capital and repayment of bank Loans by over-subscription proceeds	No	151,097.24	151,097.24	Yes	Completed	N/A	N/A	N/A	
Sub-total	—	1,835,897.24	1,011,430.31	—	—		—	—	

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

XIII. PROJECTS NOT INVESTED BY PROCEEDS

Unit: RMB0'000

Name of project	Project amount	Progress of project	Revenue generated from the project
Jiujiang steel slag zero emission project (九江鋼渣零排放項目)	53,558.17	Phase I commenced construction in November 2008 and has been put into commercial operation since 10 July 2009. Phase II commenced construction in early 2010 and is expected to complete in August 2011. Currently, the preliminary design work is completed. The order contract of main device and equipment has come into effect. Such equipment is expected to deliver and commence installation in February 2011.	The construction of phase I had secured its basic revenue since its commencement of production and operation and has currently achieved sound operation with attractive revenue. The construction of phase II is underway and can generate expected revenue according to the estimated market conditions.
Wuxi Xidong Waste Incineration Power Generation Project (無錫錫東垃圾焚燒發電項目)	98,000	The design of such project had been completed, with 90% purchasing equipment delivered. The installation of No. 1 and 2 incineration lines and No. 1 turbine generating unit was completed. Construction of the auxiliary plant had been completed and commenced trial run while the installation of No. 3 and 4 incineration lines are under process.	The project is under construction and has not generated any revenue.

Name of project	Project amount	Progress of project	Revenue generated from the project
Expansion project of phase IV polysilicon technology industrialization with an annual capacity of 2,000 tons of Luoyang China Silicon Corporation (洛陽中硅公司)	140,000	Phase IV was completed in 2010 and has been basically ramped up to full capacity by the end of the year.	In 2010, all phases (I-IV) recorded revenue of RMB1.83 billion, with a total profit of RMB510 million and a net profit of RMB445 million.
Wuhan electromechanical industrial park project (武漢機電產業園項目)	55,357	The project progressed smoothly. Phase I has been put into full operation since December 2010 and phase II is under the stage of planning and design.	WISDRI (Wuhan) Heavy Machinery Co., Ltd and WISDRI Automation (中冶南方(武漢)自動化有限公司) of the Company had moved to the electromechanical industrial park in December 2010. WISDRI (Wuhan) WIS Industrial Furnace Co., Ltd. (中冶南方(武漢)威仕工業爐有限公司) had moved to the electromechanical industrial park in October 2010.
Phase I of Xinyu cold-rolled silicon steel project (新餘冷軋矽鋼項目一期)	87,500	The project progressed smoothly. No. 1 production line of phase I has been put into production. No. 2 production line is under the stage of equipment commissioning and is expected to commence production by the end of February 2011.	Such project signed an external contract with a value of RMB300 million and sold products of 40,000 tons in 2010.
Project of MCC Tiangong (Tianjin) (中冶天工 (天津)) equipment production base	35,000	Such project is completed and commenced production in the second half of 2010.	The project will generate revenue in 2011.
Tibet Mengya'a lead-zinc mine project (西藏蒙亞啊鉛鋅礦項目)	36,485	100% of the main construction of the project was completed with seven constructions fully completed. It is planned to start preparation for production in March 2011 and commence production in May.	The project is yet to commence production and has not generated any revenue.
Total	505,900.17	——	——

XIV. EMPLOYEES AND REMUNERATION POLICY

(I) Employees of the Company

As at 31 December 2010, the Company employed a total of 126,987 staff.

Level of education of employees:

Level of Education	Number of Current Employees	Percentage
Above graduate degree	6,219	4.90%
Undergraduate degree	35,390	27.87%
Associate degree	27,758	21.86%
Below associate degree	57,620	45.37%
Total	126,987	100%

The age structure of current employees:

Age	Number of Current Employees	Percentage
56 and above	2,843	2.24%
51-55	10,124	7.97%
46-50	17,102	13.47%
41-45	21,617	17.02%
36-40	22,083	17.39%
Below 35	53,218	41.91%
Total	126,987	100%

Structure of profession of current employees:

Profession	Number of Current Employees	Percentage
Engineering and construction	103,527	81.52%
Equipment manufacturing	11,216	8.83%
Resources development	11,551	9.10%
Property development and others	693	0.55%
Total	126,987	100%

The salary of current employees includes basic salary, performance-linked bonus and others. In accordance with applicable regulations, the Company established the pension contribution plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance. With a view to providing further pension coverage for our employees' retirement, the Company also officially set up the enterprise annuity regulations in 2010. In accordance with applicable PRC laws and regulations, the amount of contributions of the aforesaid social securities is strictly based on state, provincial and municipal requirements of the PRC. The Company also established an employee housing fund according to applicable PRC regulations.

(II) Remunerations of Directors, Supervisors and Senior Management

1. *Determination procedures for remunerations of Directors, Supervisors and Senior Management*

   Remunerations of Directors and Supervisors (not being employee representatives) were considered and approved at the 2009 AGM. The Remuneration Committee of the Company makes remuneration recommendations for senior management which is subject to the Board's review and approval.

2. *Basis for Determination of Remunerations of Directors, Supervisors and Senior Management*

   The remuneration of the Company's independent non-executive Directors for 2010 comprised of basic salary and conference allowances. The standards on the annual basic salary and conference allowances were determined with reference to the Remuneration Standards for External Directors of Pilot Enterprises as promulgated by the SASAC. The Company's executive Directors do not receive remuneration from their positions as Directors but are remunerated in accordance with their positions and performance at the Company.

   The Company's Supervisors receive remuneration in accordance with Management Rules on Remuneration and Assessment (總部薪酬與考核管理辦法) and their positions.

   The Company's senior management members are remunerated in accordance with relevant regulations of the SASAC.

3. *Actual payment of the remunerations of Directors, Supervisors and Senior Management*

   During the Reporting Period, all Directors, Supervisors and senior management of the Company received remunerations or allowances from the Company.

XV. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders. Subject to the Hong Kong Listing Rules, pursuant to the Articles of Association, the Company may increase its registered capital by issuing shares through public or non-public offering, issuing bonus shares to the existing Shareholders, converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

Currently, the Company does not have any share option arrangements.

XVI. BANK AND OTHER LOANS

Details of bank and other loans of the Company are set out in note 25 to the consolidated financial statements.

XVII. DIRECTORS AND SUPERVISORS

During the Reporting Period, the members of the Board are as below:

Name	Position	Nominating Party	Term of Office
Jing Tianliang	Chairman and Non-executive Director	Parent	June 2010 – November 2011
Liu Benren	Chairman and Non-executive Director	Parent	November 2008 – March 2010
Wang Weimin	Vice Chairman and Executive Director	Parent	November 2008 – November 2011
Shen Heting	Executive Director and President	Parent	November 2008 – November 2011
Guo Wenqing	Employee Representative Director	Employee Representative Congress of the Company	June 2009 – November 2011
Jiang Longsheng	Independent Non-Executive Director	Parent	November 2008 – November 2011
Wen Keqin	Independent Non-Executive Director	Parent	November 2008 – November 2011
Liu Li	Independent Non-Executive Director	Parent	November 2008 – November 2011
Chen Yongkuan	Independent Non-Executive Director	Parent	November 2008 – November 2011
Cheung Yukming	Independent Non-Executive Director	Parent	June 2009 – November 2011

During the Reporting Period, members of the Company's Supervisory Committee are as follows:

Name	Position	Nominating Party	Term of Office
Han Changlin	Chairman of Supervisory Committee	Parent	November 2008 – November 2011
Peng Haiqing	Supervisor	Parent	November 2008 – November 2011
Shao Jinhui	Employee Representative Supervisor	Assembly of Employee Representatives (公司職工代表大會)	November 2008 – January 2011

XVIII. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liu Benren resigned as the Chairman and non-executive Director of the Company on 9 March 2010. As a result of his resignation, Mr Liu also ceased to serve as chairman of the strategy committee, member of the finance and audit committee and member of the nomination committee of the Board. Pursuant to Article 76 of the Articles of Association, the Parent, the controlling shareholder of the Company, nominated Mr. Jing Tianliang as the non-executive Director of the Company. The proposal had been approved and passed at the 2009 AGM. As resolved at the 14th meeting of the first session of the Board of the Company held on 29 June 2010, Mr. Jing Tianliang was appointed as the Chairman of the Company. The term of appointment of Mr. Jing commenced from 29 June 2010 to the date of expiration of the term of the current session of the Board in November 2011. Mr. Jing's remuneration shall be determined by the Board on the basis of Mr. Jing's performance in the Company and approved by the Shareholders in the 2010 AGM.

Ms. Huang Dan, the former secretary to the Board and joint company secretary of the Company, had tendered her resignation to the Board of the Company as the secretary to the Board and joint company secretary, the reason being that her position as the Vice President of the Company involves frequent business trips for other engagements such as the handling of overseas construction matters, which hinders her from performing her duties as secretary to the Board in full capacity. The Company held the 18th meeting of the first session of the Board of the Company on 29 November 2010 and accepted the resignation of Ms. Huang Dan, and agreed to appoint Mr. Kang Chengye as secretary to the Board and joint company secretary of the Company. Mr. Ngai Wai Fung, the other joint company secretary of the Company, had also tendered his resignation to the Board of the Company as the joint company secretary of the Company. The Board accepted Mr. Ngai's resignation and agreed to appoint Ms. Ma Sau Kuen Gloria as the new joint company secretary of the Company on 29 November 2010.

As Mr. Shao Jinhui, a former employee representative supervisor of the Company, has reached his statutory retirement age, the Company held an employee representative congress on 18 January 2011 ("the Employee Congress"), at which it was approved that Mr. Shao Jinhui would cease to be an employee representative supervisor of the first session of the Supervisory Committee of the Company and Mr. Shao Bo was elected as the new employee representative supervisor of the first session of the Supervisory Committee of the Company, with effect from the conclusion of the Employee Congress.

XIX. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors and Supervisors has entered into a service contract with the Company or any of its subsidiaries that is not determinable within one year without payment of compensation (other than statutory compensation).

XX. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contract of significance, unless disclosed in the relevant announcements, to which the Company, its subsidiaries and subsidiaries of its holding company was a party and in which a Director or Supervisor of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2010 or at any time during the Reporting Period.

XXI. DIRECTORS' INTERESTS IN BUSINESS COMPETING WITH THE COMPANY

None of the Directors has any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

XXII. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

1. Directors and Supervisor's emoluments

On 31 December 2010, the emoluments received by all Directors and Supervisors of the Company were as follows:

Name	Basic salaries, housing allowances, other allowances and benefits in-kind		Contributions to pension plans		Discretionary Bonuses		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	RMB '000		RMB '000		RMB '000		RMB '000	
Directors								
Jing Tianliang	121	—	—	—	—	—	121	—
Liu Benren	61	205	—	—	—	—	61	205
Wang Weimin	286	273	28	26	480	341	794	640
Shen Heting	286	273	28	26	480	341	794	640
Guo Wenqing	259	247	28	26	432	307	719	580
Jiang Longsheng	149	130	—	—	—	—	149	130
Wen Keqin	145	129	—	—	—	—	145	129
Liu Li	150	131	—	—	—	—	150	131
Chen Yongkuan	129	110	—	—	—	—	129	110
Cheung Yukming	116	57	—	—	—	—	116	57
Supervisors								
Han Changlin	259	247	28	26	432	307	719	580
Peng Haiqing	162	141	28	25	305	316	495	482
Shao Jinhui	182	185	25	26	426	472	633	683
	2,305	2,128	165	155	2,555	2,084	5,025	4,367

2. Five highest paid individuals

As at 31 December 2010, none of the Directors' and Supervisors' emoluments as disclosed above were included in the emoluments paid to the five highest paid individuals. Emoluments paid by the Company to the five highest paid individuals during the Reporting Period are as follows:

	2010 *RMB thousand*	2009 *RMB thousand*
Basic salaries, housing allowances, other allowances and benefits in-kind	1,661	308
Contributions to pension plans	168	117
Discretionary bonuses	11,305	9,530
	13,134	9,955

During the Reporting Period, no Directors or Supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the Directors or Supervisors as an inducement to join or upon joining the Company or as compensation for loss of office.

XXIII. MANAGEMENT CONTRACT

Apart from the service contracts of management personnel of the Company, the Company has not entered into any contract with any individual, company or body corporate to manage or handle the entire or any material part of the Company's business.

XXIV. EXECUTION OF RESOLUTIONS OF GENERAL MEETINGS BY THE BOARD

All members of the Board have, in accordance with relevant domestic and overseas laws and regulations and the Articles of Association, duly and diligently discharged their obligations as Directors, implemented the resolutions of general meetings and completed all tasks authorized by the general meetings.

The Proposal for Connected Transactions Related to the Disposal of MCC Tower by MCC Real Estate (《關於中冶置業銷售中冶大廈涉及關聯／連交易的議案》) and the Proposal for Adjustments to Investment Projects Financed by Part of the Proceeds (《關於變更部分募集資金投資項目的議案》) were considered and approved at the first extraordinary general meeting for 2010 of the Company. The Company has implemented the transactions according to the resolutions of the extraordinary general meeting and made the adjustments to certain investment projects financed by part of the proceeds.

17 proposals, including the Proposal Related to 2009 Report of Directors of Metallurgical Corporation of China Ltd.* (《關於中國冶金科工股份有限公司2009年度董事會報告的議案》), the Proposal Related to 2009 Report of Supervisory Committee of Metallurgical Corporation of China Ltd.* (關於中國冶金科工股份有限公司2009年度監事會報告的議案》), the Proposed Final Account Report of Metallurgical Corporation of China Ltd.* for Year 2009 (《關於中國冶金科工股份有限公司2009年度財務決算報告的議案》), the Proposed Profit Distribution Plan of Metallurgical Corporation of China Ltd.* for 2009 (《關於中國冶金科工股份有限公司2009年度利潤分配的議案》), the Proposal Related to By-Election of Directors of Metallurgical Corporation of China Ltd.* (《關於中國冶金科工股份有限公司補選董事的議案》), the Proposed Appointment of Certified Public Accountant of Metallurgical Corporation of China Ltd. * for 2010 (《關於聘請中國冶金科工股份有限公司2010年度會計師事務所的議案》), the Resolution Regarding the Registration and Issuance of Medium Term Notes of Metallurgical Corporation of China Ltd. * (《關於中國冶金科工股份有限公司註冊發行中期票據的議案》) and the Resolution Regarding the Registration and Issuance of Short-term Financing Bills of Metallurgical Corporation of China Ltd. * (《關於中國冶金科工股份有限公司註冊發行短期融資券的議案》) were considered and approved at 2009 AGM of the Company. Meanwhile, the 2009 Performance Report by Independent Directors of Metallurgical Corporation of China Ltd.* (《中國冶金科工股份有限公司獨立董事2009年度述職報告》) was received at the 2009 AGM. Pursuant to the passed resolutions at the 2009 AGM, the Company has implemented relevant matters, such as the election of relevant Directors, the appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers as the domestic auditor and international auditor of the Company for year 2010 respectively and the issue of relevant notes. The Proposed Grant of General Mandate for Repurchase of Shares of Metallurgical Corporation of China Ltd.* (《關於中國冶金科工股份有限公司回購股份一般授權的議案》) was considered and approved at the first respective class meetings of the holders of A Shares and holders of H Shares.

XXV. CONNECTED TRANSACTIONS

Transactions between the Company and its connected persons (as defined in the Hong Kong Listing Rules) constitute connected transactions of the Company under the Hong Kong Listing Rules. These transactions have been monitored and managed by the Company in accordance with the Hong Kong Listing Rules.

As disclosed in the circular dated 29 January 2010 issued by the Company, Beijing Guangyuanli Properties Development Co., Ltd. ("Guangyuanli") which is wholly-owned by MCC Real Estate Co., Ltd., a non wholly-owned subsidiary of the Company, entered into a sale and purchase of commercial properties agreement with the Company's controlling shareholder, the Parent, on 30 December 2009, pursuant to which Guangyuanli agreed to sell and the Parent agreed to purchase the MCC Tower (as defined in the circular) at a consideration of RMB2,350,250,000. The disposal of the MCC Tower will improve the Company's cash reserves, accelerate the turnover of its assets and save financial costs. Meanwhile, by choosing the Parent Group as the purchaser of the MCC Tower under same conditions, it could effectively guard against the commercial risks associated with the sale of an assets valued at a relatively high consideration. The resolution in relation to the connected transaction relating to the disposal of the MCC Tower by Guangyuanli was considered and approved at the first extraordinary general meeting of 2010, which was held by the Company on 16 March 2010 and at which the above connected transaction was approved. For details, please refer to the Shareholder's circular dated 29 January 2010 of the Company.

As disclosed in the announcement published by the Company on 29 October 2010, titled as "New and Revised Annual Caps for Certain Continuing Connected Transactions", in accordance with the Article 14A.47 of the Hong Kong Listing Rules, the Company revised the annual caps for the continuing connected transactions in respect of the supply of raw materials, products and services from the Company to the Parent Group under the Mutual Supply Agreement for the financial year ended 31 December 2010 and the financial year ending 31 December 2011, and fixed new annual caps for: (i) the continuing connected transactions in respect of the supply of raw materials, products and services from the Company to the Parent Group under the Mutual Supply Agreement for the financial year ending 31 December 2012; and (ii) the continuing connected transactions in respect of the supply of raw materials, products and services from the Parent Group to the Company under the Mutual Supply Agreement and the continuing connected transactions under the Properties Leasing Agreement (as defined in this annual report) between the Company and the Parent Group for the financial year ended 31 December 2010 and the financial years ending 31 December 2011 and 31 December 2012. The above annual caps for the continuing connected transactions between the Company and the Parent Group had been considered and approved at the 17th Meeting of the first Board of the Company held on 29 October 2010. Details are as follows:

Unit: RMB00'million

Type of transactions	**2010**	**2011**	**2012**
Supply of raw materials, products and services from the Company to the Parent Group	12.80	9.60	9.50
Supply of raw materials, products and services from the Parent Group to the Company	2.55	3.60	3.70
Lease of buildings and properties by the Company from the Parent Group	0.75	0.90	0.90

Set out below are the annual caps of continuing connected transactions of the Company pursuant to the relevant waivers granted by the Hong Kong Stock Exchange and the actual continuing connected transaction amounts incurred in 2010.

Item	Transaction	Type	Annual Cap *RMB million*	For the year ended 31 December 2010 *RMB million*
A.	**Continuing Connected Transaction with Ansteel**			
	1 Procurement of integrated products by us from Ansteel	Cost of sales	500	57
	2 Supply of service by us to Ansteel	Revenue	3,500	940
B	**Continuing Connected Transaction with Pansteel**			
	3 Procurement of integrated products by us from Pansteel	Cost of sales	500	266
	4 Supply of service by us to Pansteel	Revenue	8,000	3,811
C	**Continuing Connected Transaction with the Parent**			
	5 Leasing of land use rights from the Parent Group to us	N/A	N/A	N/A
	6 Leasing of properties from the Parent Group to us	Other Income	75	53
	7(a) Supply of raw materials, products and services by the Parent Group to us	Cost of sales	255	202
	7(b) Supply of raw materials, products and services by us to the Parent Group	Revenue	1,280	584
	8 Licensing of patents by us to the Parent Group	N/A	N/A	N/A

Note: According to the relevant provisions of Rule 14A.31(9) of the Hong Kong Listing Rules as amended by the Hong Kong Stock Exchange on 3 June 2010, relating to transactions with the connected persons of insignificant subsidiaries of the Company, the connected transactions between Tangsteel Iron and Steel Co., Ltd, Wuhan Iron and Steel (Group) Corporation, and Nanjing Hexi New District State-owned Asset Management Holding (Group) Co., Ltd., together or any of their respective associates and the Company are exempted from the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Hong Kong Listing Rules.

According to the Hong Kong Listing Rules amended by the Hong Kong Stock Exchange on 3 June 2010, Baosteel, as a promoter of the Company, was no longer a connected person of the Company.

A Continuing Connected Transaction with Ansteel

As at 31 December 2010, Ansteel held approximately 10.67% equity interest in ACRE Coking & Refractory Engineering Consulting Corporation, MCC ("ACRE") which is a non-wholly owned subsidiary of the Company. Ansteel is therefore a substantial shareholder of ACRE. As such, Ansteel and its associates constitute connected persons of the Company.

Procurement of Integrated Products

In the ordinary and usual course of business, we and/or our subsidiaries have been purchasing integrated products from Ansteel on the basis of actual needs primarily for our engineering and construction business ("Ansteel Integrated Products"). The integrated products mainly include steel. The procurement of the Ansteel Integrated Products has been made pursuant to our internal procurement procedure for engineering and construction projects. Our subsidiaries have each set up a construction procurement department to monitor the process of procurement. Our subsidiaries have also each set up a procurement team to implement the procurement procedure.

We and/or our subsidiaries has entered into written agreements with Ansteel and/or its associates in respect of each individual connected transaction between them in relation to the procurement of the Ansteel Integrated Products. The fees payable in respect of the Ansteel Integrated Products has been and will be determined based on market price. Such market price is defined by reference to the price at which the same or similar type of products are provided by independent third parties in the ordinary course of business.

We believe that it is in our interests to procure the Ansteel Integrated Products from Ansteel, one of the leading steel products manufacturers in the PRC, on terms acceptable to us for our engineering and construction projects and confirm that the transactions contemplated under the above written agreements will be conducted on normal commercial terms after arm's length negotiation.

Supply of Services

In the ordinary and usual course of business, we and/or our subsidiaries have been providing certain engineering and construction services to Ansteel from time to time. The engineering and construction services include research, planning, surveying, consulting, design, procurement, construction, installation, maintenance, supervision and certain technical services ("Ansteel E&C Services").

The Ansteel E&C Services for particular projects are and will be undertaken by the Company and/or our relevant subsidiaries pursuant to an engineering and construction contracts. The contracts for the provision of the Ansteel E&C Services are mainly awarded through public tendering process required and implemented under PRC laws or determined after arm's length negotiation, and in any event on market terms.

We and/or our subsidiaries have entered into written agreements with Ansteel and/or its associates in respect of each individual connected transaction between them in relation to the provision of the Ansteel E&C Services on winning a project contract, or on normal commercial terms after arm's length negotiation, where no tendering process is required to be adopted. The terms of the transactions for the Ansteel E&C Services generally involve our (or our relevant subsidiary's) agreeing to a total price cap or a unit price cap for a project. Some contracts contain price adjustment clauses to cover increases in the costs of raw materials, changes in design or work scope, or other specific factors that would cause an interruption of construction and an increase in the cost, such as lack of water or electricity.

We believe that it is in our interests to undertake the transactions in relation to the provision of the Ansteel E&C Services based on the terms disclosed herein as they form part of our core business and will be conducted on normal commercial terms after arm's length negotiations.

B Continuing Connected Transactions with Pansteel

Pansteel has approximately 13.34% equity interest in CISDI Engineering Co., Ltd. ("CISDI"), our non-wholly owned subsidiary. As Pansteel is a substantial shareholder of CISDI, it and its associates therefore constitute connected persons of the Company. The continuing connected transactions between Pansteel and/or its associates, and the Company constitute connected transactions of the Company under the Hong Kong Listing Rules.

Procurement of Integrated Products

In the ordinary and usual course of business, we and/or our subsidiaries have been purchasing integrated products from Pansteel on the basis of actual needs primarily for our engineering and construction business ("Pansteel Integrated Products"). The integrated products mainly include steel.

The procurement of the Pansteel Integrated Products is and will be made pursuant to our internal procurement procedure for construction and engineering projects. Our subsidiaries have each set up a construction procurement department to monitor the process of procurement. Our subsidiaries have also each set up a procurement team to implement the procurement procedure.

We and/or our subsidiaries have entered into written agreements with Pansteel and/or its associates in respect of each individual connected transaction between them in relation to the procurement of the Pansteel Integrated Products. The fees payable in respect of the Pansteel Integrated Products has been and will be determined based on market price. Such market price is defined by reference to the price at which the same or similar type of products are provided by independent third parties in the ordinary course of business.

We believe that it is in our interests to procure the Pansteel Integrated Products from Pansteel, one of the leading steel products manufacturers in the PRC, on terms acceptable to us for our engineering and construction projects and confirm that the transactions contemplated under the above written agreements will be conducted on normal commercial terms after arm's length negotiation.

Supply of Services

In the ordinary and usual course of business, we and/or our subsidiaries have been providing certain engineering and construction services to Pansteel from time to time. The engineering and construction services include research, planning, surveying, consulting, design, procurement, construction, installation, maintenance, supervision and certain technical services ("Pansteel E&C Services").

The Pansteel E&C Services for particular projects are undertaken by the Company and/or our relevant subsidiary under pursuant to the engineering and construction contracts. The contracts for the provision of the Pansteel E&C Services are mainly awarded through public tendering process required and implemented under PRC laws or determined after arm's length negotiation, and in any event on market terms.

We and/or our subsidiaries have entered into written agreements with Pansteel and/or its associates in respect of each individual connected transaction between them in relation to the provision of the Pansteel E&C Services on winning a project contract, or on normal commercial terms after arm's length negotiation, where no tendering process is required to be adopted. The fees payable in respect of the Pansteel E&C Services have been determined through the tender and bidding process if the selection of the relevant service providers has to be determined through a tender and bidding process. Where service fees are not required to be determined by a tender and bidding process, the service fees have been and will be determined with a reference to the prevailing market prices of labour, materials, equipment and other things and taking into account the complexity of projects contracted for as well. The terms of the transactions for the Pansteel E&C Services generally involve our (or our relevant subsidiary's) agreeing to a total price cap or a unit price cap for a project. Some contracts contain price adjustment clauses to cover increases in the costs of raw materials, changes in design or work scope, or other specific factors that would cause an interruption of construction and an increase in the cost, such as lack of water or electricity.

We believe that it is in our interests to undertake the transactions in relation to the provision of the Pansteel E&C Services based on the terms disclosed herein as they form part of our core business and will be conducted on normal commercial terms after arm's length negotiations.

C Continuing Connected Transactions with the Parent Group

The Parent directly holds approximately 64.18% of our equity interest. It is our controlling shareholder and our promoter. Each of the Parent and its subsidiaries (other than the Company and its subsidiaries) therefore constitutes our connected person under the Hong Kong Listing Rules. The continuing connected transactions between the Parent Group (other than the Company and its subsidiaries) and the Company constitute connected transactions of the Company under the Hong Kong Listing Rules

Land Use Rights Leasing Agreement

We have entered into a land use rights leasing agreement ("Land Use Rights Leasing Agreement") on 5 December 2008, with the Parent pursuant to which the Parent Group have agreed to lease to us, subject to the Parent Group having obtained proper land use rights in respect thereof, certain land use rights in the PRC for general business and ancillary purposes.

Description of Transaction and Principal Terms:

The Land Use Rights Leasing Agreement is for a term of 20 years commencing from 1 December 2008 and will be subject to renewal. We consider the term of the Land Use Rights Leasing Agreement to be consistent with normal commercial terms and can secure long terms property rights for us, avoiding unnecessary disruptions to our businesses and operations. The total annual rent payable under the Land Use Rights Leasing Agreement will be payable every 12 months in arrears and will be reviewed every three years. The new amount of rent payable will not be higher than the then prevailing market rent as confirmed by an independent valuer.

The rent payable under the Land Use Rights Leasing Agreement is determined at arms' length and reflects market rates and the Land Use Rights Leasing Agreement is entered into on normal commercial terms. Jones Lang LaSalle Sallmanns Limited has confirmed that the rental fees payable by us under the Land Use Rights Leasing Agreement are not higher than the prevailing market rates.

Properties Leasing Agreement

We have on 5 December 2008 entered into a properties leasing agreement with the Parent ("Properties Leasing Agreement") pursuant to which the Parent Group has agreed to lease certain buildings and properties to us for general business and ancillary purposes.

Description of Transaction and Principal Terms:

The Properties Leasing Agreement will be for a term of 10 years commencing from 1 December 2008 and will be subject to renewal. We consider the term of the Properties Leasing Agreement to be consistent with normal commercial terms and can secure long terms property rights for us, avoiding unnecessary disruptions to our businesses and operations. The total annual rent payable under the Properties Leasing Agreement will be payable every 12 months in arrears and be reviewed every three years.

The rent payable under the Properties Leasing Agreement is determined at arm's length and reflects market rates and the Properties Leasing Agreement is entered into on normal commercial terms.

Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement

As part of the Reorganization, the Parent retained certain ancillary assets and businesses which will continue to provide certain comprehensive raw materials, products and services to our core businesses. We will also provide certain raw materials, products and services to the Parent Group to support the businesses retained by the Parent.

Description of Transaction and Principal Terms:

We have on 5 December 2008 entered into a mutual supply of comprehensive raw materials, products and services agreement with the Parent ("Mutual Supply Agreement"), pursuant to which:

(i) both parties agreed to provide, or procure its respective subsidiaries to provide the following raw materials and services to each other:

Products and raw material supplies: transportation, water, electricity, gas and steam, equipment leasing, raw materials, minerals, fuels and power production;

Social and living support services: public security, employee training, testing and equipment repair, sharing of service, logistics and other non-business services, school medical and emergency service, telecommunication, property management and other similar services;

(ii) the Parent agreed to provide, or procure its subsidiaries to provide various papers and other products, commercial goods and semi-finished goods to us; and

(iii) we agreed to provide, or procure our subsidiaries to provide certain products, commercial goods, semi-finished goods, zinc ingots, mechanical equipment, other assets and equipment, exploration, design, procurement and engineering services to the Parent Group.

The raw materials supplied pursuant to the Mutual Supply Agreement will be provided at:

(i) the government-prescribed price;

(ii) if there is no government-prescribed price but there is a government-guided price, the government guided price applies;

(iii) if there is neither a government-prescribed price nor a government-guided price, then the market price applies; or

(iv) if none of the above is applicable, the price is to be agreed between the relevant parties. The agreed price will be calculated based on the reasonable costs incurred in providing the raw materials, products or services plus reasonable profits.

The services provided pursuant to the Mutual Supply Agreement shall be provided at:

(i) the tender price if the service provider is determined by tender and bidding process; or

(ii) if the service provider is not selected through a tender and bidding process, the available market price.

If the tender price and other terms and conditions offered by an independent third party are not more favourable than those available from the other party, the parties will give priority in sourcing the service from each other.

The Mutual Supply Agreement is for a term of 3 years commencing from 1 December 2008. Either party may terminate any specific agreement entered into pursuant to the Mutual Supply Agreement (but excluding the Mutual Supply Agreement) by giving the other party no less than three months' prior written notice, provided that if we cannot conveniently obtain such raw materials, products and services from a third party, the Parent Group will not be permitted to terminate and will continue to provide such raw materials, products and services under any circumstances.

Trademarks Licensing Agreement

As part of the Reorganization, the Parent transferred all the trademarks it owned to us for free. As some of the trademarks are related to the daily business of the Parent Group, the parties entered into a trademark licensing agreement on 5 December 2008 ("Trademark Licensing Agreement").

We agreed to license to the Parent Group the right to use the "MCC" trademarks ("Licensed Trademarks") on a non-exclusive basis and for a term of 10 years commencing from 1 December 2008. Upon expiry of the term, the term may be renewed for a further period of 3 years upon the Parent Group's request.

Moreover, we are entitled to transfer our rights under any of the Licensed Trademarks to any independent third parties provided that such transfer shall not affect the rights of the parties under the Trademark Licensing Agreement.

All of the above continuing connected transactions are in the interests of the Company.

The Company's independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that these continuing connected transactions have been entered into:

1 in the ordinary and usual course of business of the Company;

2. either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than those available to or from (as appropriate) independent third parties; and

3. in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditors were engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their conclusions in respect of the continuing connected transactions disclosed by the Group in pages 62-70 of the Annual Report in accordance with Listing Rules 14A.38 A copy of such letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the above continuing connected transactions.

XXVI. COMPETITION

The Parent confirmed that during the Reporting Period, it did not breach any undertakings under the Non-competition Undertaking Letter entered into on 5 December 2008 and the Non-competition Agreement entered into between it and the Company on 31 August 2009.

XXVII. PROPERTIES HELD FOR FURTHER DEVELOPMENT OR SALE

Location	Current use of land	Occupied area	Floor area	Status of project	Progress towards completion	Estimated completion date	% of the completion of development projects attributable to Company
Land parcels G32 & G33 at Xiaguan District, Nanjing City, Jiangsu Province	Primary land development	667,543.40	Not yet planned	Construction in progress	15%	2017	80%
A land parcel for Phase I of Large-scale Community-Municipal Economically Affordable Housing and Ancillary Commodity Residential in Luodian, Baoshan District, Shanghai City (上海市寶山區羅店大型社區市屬經濟適用房及配套商品房一期地塊)	Residential	265,804.20	585,016.97	Construction in progress	1%	2013	100%
A land parcel located at Taihang Avenue, Shijiazhuang City, Hebei Province (河北省石家莊市太行大街地塊), south from Hengjing Highway (衡井公路) and north to Zhengwu Highway (正無公路)	Infrastructure	With a total length of 27.5km and an area of 2,660 acreages	Nil	Construction in progress	35%	2011	44%
A land parcel located at Weituo Alley, Xuanwu District, Nanjing City, Jiangsu Province (江蘇省南京市玄武區韋陀巷地塊)	Residential	184,977.90	186,828.00	Construction in progress	80%	2012	54%
Land parcels No. 14 and 15 located at the southern side of Tengfei Road, Hujiayuan Street, Tanggu District, Tianjin City	Residential	121,772.40	200,233.21	Construction in progress	89%	2011	90%
Land parcels B-1/04C-11/04F-2/02 and Regulatory Groups of Ancillary Services Region in Ecological Zone located at Tieshanping, Jiangbei District, Chongqing City (重慶市江北區鐵山坪生態區配套服務區控規組團B-1/04C-11/04F-2/02地塊)	Commercial residential complex	350,870.00	115,873.00	Construction in progress	0%	2013	100%
Yuhua Road, Lubei District, Tangshan City, Hebei Province	Residential and commercial	134,338.00	599,661.00	Construction in progress	75%	2012	51%

Location	Current use of land	Occupied area	Floor area	Status of project	Progress towards completion	Estimated completion date	% of the completion of development projects attributable to Company
A land parcel located at Lianhua Village, Jianye District, Nanjing City, Jiangsu Province	Residential and commercial	137,100.00	549,537.40	Construction in progress	33%	2012	60%
2009-42#, 43#, 44# of Ganjingzi District, Dalian City, Liaoning Province	Commercial-residential	380,000	443,000	Construction in progress	20%	2013	60%
Land parcel No. 2007-04 located at the northern side of Jianguo Avenue, Xianshuigu Town, Jinnan District, Tianjin City	Commercial and residential complex	184,738.00	461,848.00	Construction in progress	35%	2013	51%
A land parcel located at Nanxing Station of Line 11 of Jiading Rail Transit (嘉定軌道交通11號線南翔站), Shanghai	Commercial, residential and as office	53,631.00	131,030.00	Construction in progress	86%	2012	70%
Yishun District (義順區), Singapore	Residential	15,074.19	42,207.76	Construction in progress	3%	2012	100%
A land parcel located at the pier of southern Qinhuai District (秦淮區下), Nanjing City, Jiangsu Province	Residential	61,480.00	91,422.08	Project suspended	Not yet started	Two years upon commencement of construction	100%
Sembawang, Singapore	Residential	22,567.61	32,713.17	Construction in progress	0%	2012	100%
Society 1, 2, 4 and 5 of Wuliang Village (五糧村1、2、4、5社), Xipu Zhen, Pi Xian, Chengdu City, Sichuan Province	Commercial and residential	279,334.73	—	Construction in progress	80%	2011	100%
Northwest of Madian Overpass Bridge (馬甸立交橋), Haidian District, Beijing City	Commercial and financial industry	16,769.78	134,388.98	Held for sale	100%	2010	100%
House 2 of Jinyuchi Middle Street (金魚池中街2號院), Beijing City	Commercial	39,433.00	124,847.00	Completed	100%	2010	100%

The Directors were of the view that due to the excessive number of properties involved, only details of properties which in the opinion of the Directors are material are included above.

XXVIII. DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

During the Reporting Period, the Company had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity.

XXIX. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company had complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Hong Kong Listing Rules, except as otherwise explained in the Corporate Governance Report of this annual report, which sets out the details of the Company's corporate governance practices.

XXX. AUDITORS

Upon consideration and approval at the 2009 AGM, the Company did not re-appoint Reanda Certified Public Accountants Company Limited as the Company's domestic auditor and had appointed PricewaterhouseCoopers and appointed PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the international auditor and domestic auditor of the Company respectively for the year ended 31 December 2010. The financial statements prepared in accordance with IFRS have been audited by PricewaterhouseCoopers. A resolution for the re-appointments of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the international auditor and domestic auditor of the Company respectively for the year ending 31 December 2011 will be submitted to at the 2010 AGM for consideration and approval.

Report of the Supervisory Committee

(I) WORK OF THE SUPERVISORY COMMITTEE

During the Reporting Period, the Supervisory Committee of the Company held five meetings in total.

On 9 January 2010, the Company convened the 4th meeting of the first session of the Supervisory Committee and considered and approved the Proposal for Adjustments to Investment Projects Financed by Part of the Proceeds (《關於變更部分募集資金投資項目的議案》).

On 28 April 2010, the Company convened the 5th meeting of the first session of the Supervisory Committee. A total of six proposals, including the Special Report on the Deposit and Actual Use of A Share Proceeds of Metallurgical Corporation of China Ltd.* for 2009 (《中國冶金科工股份有限公司2009年A股募集資金存放與實際使用情況的專項報告》), the Proposed Final Account of MCC for 2009 (《關於中國中冶2009年財務決算的議案》), the Proposed Profit Distribution Plan of MCC for 2009 (《關於中國中冶2009年利潤分配方案的議案》), the Proposal Related to the Consideration of "2009 Annual Report of MCC" (《關於審議<中國中冶2009年年度報告>的議案》), the Proposal Related to the Consideration of "2010 First Quarterly Report of MCC" (《關於審議<中國中冶2010年第一季度報告>的議案》) and the Proposal Related to the Consideration of "Report of the Supervisory Committee of MCC for the Year 2009"(《關於審議<中國中冶2009年度監事會報告>的議案》) were considered and approved at the meeting.

On 24 August 2010, the Company convened the 6th meeting of the first session of the Supervisory Committee. A total of four proposals, including the Proposal Related to the Submission of the Special Report on A Share Proceeds (《關於提交A股募集資金專項報告的議案》), the Proposal Related to the Utilization of Unused A Share Proceeds for Replenishment of Working Capital (《關於以A股閑置募集資金補充流動資金的議案》), the Proposal Related to the Financial Report of MCC for the First Half of 2010 (《關於中國中冶2010年上半年度財務報告的議案》) and the Proposal Related to the Interim Report of MCC for the Year 2010 (《關於中國中冶2010年半年度報告的議案》) were considered and approved at the meeting.

On 29 October 2010, the Company convened the 7th meeting of the first session of the Supervisory Committee. The Proposal Related to "The Third Quarterly Report of MCC for 2010" (《關於<中國中冶2010年第三季度報告>的議案》) was considered and approved at the meeting.

On 29 November 2010, the Company convened the 8th meeting of the first session of the Supervisory Committee. The Proposal Related to the Review Opinion on the Resignation of Secretary to the Board (《關於<董事會秘書離任的審查意見>的議案》) was considered and approved at the meeting.

(II) INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON LEGAL COMPLIANCE OF THE OPERATIONS OF THE COMPANY

The Supervisory Committee focused its supervision role on the meeting procedures of and the way of voting at general meetings and Board meetings as well as annual financial budget and final accounting, profit distribution and significant investment decisions as contained in the Board proposals. It also paid visits to key subsidiaries for conducting inspection.

The Supervisory Committee is of the opinion that the Company complied with the laws and regulations in the PRC and the Articles of Association. The Supervisory Committee was not aware of any breach of laws or regulations or the Articles of Association or any damage to the interests of the Company and its shareholders by the Directors, Presidents or other senior management of the Company in the performance of their duties.

(III) INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON INSPECTION OF THE FINANCIAL POSITION OF THE COMPANY

Through analysing monthly preliminary financial reports, listening to work report from financial department and visiting key subsidiaries for inspecting their financial management and execution of budget, the Supervisory Committee strengthened its supervision on the financial work of the Company. The Supervisory Committee is of the opinion that the Company has a sound financial system which is in compliance with the PRC Accounting Law and relevant requirements of financial rules and regulations.

Each of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company audited the Company's financial report for 2010 and issued a standard unqualified audit report. The Supervisory Committee conducted communication with relevant parties about the plan for audit work, the matters involved in the process and the audit results in respect of the annual audit of the financial report of the Company throughout the whole auditing process, and requested the respective supervisory committees or supervisors of subsidiaries to provide independent opinions for their respective annual financial reports. The Supervisory Committee is of the opinion that the annual financial report of the Company for 2010 truly and objectively reflects the financial status and results of operations of the Company.

(IV) INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE LASTEST ACTUAL USE OF THE RAISED PROCEEDS

During the Reporting Period, the Supervisory Committee of the Company played a supervision role on the actual use of raised proceeds. The Supervisory Committee is of the opinion that the Company managed and used the raised proceeds in accordance with the provisions of the Management System for Use of Raised Proceeds (《募集資金使用管理制度》), and has constantly in practice improved its management of the raised proceeds, with the proceeds being invested in projects consistent with the commitments of the Company. The changes made by the Company in respect of the use of a portion of A Share listing proceeds were in line with its need for business development and in the interest of the Company and all the shareholders as a whole, and the relevant approval procedures were in compliance with the requirements of laws and regulations and the Articles of Association.

(V) INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON ACQUISITION AND DISPOSAL OF ASSETS BY THE COMPANY

The Supervisory Committee is of the opinion that the considerations for the acquisition and disposal of assets of the Company in 2010 were reasonable. Neither any insider trading nor any behavior to the detriment of the interests of the Company and shareholders was found.

(VI) INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE SELF-EVALUATION REPORT ON THE INTERNAL CONTROL FOR THE YEAR 2010

The Supervisory Committee reviewed the self-evaluation report on the internal control of the Company for the year 2010 and did not have any dissents.

Management Discussion and Analysis

I. OVERVIEW

For the year ended 31 December 2010, the Group's revenue amounted to RMB206,397 million, representing an increase of 24.71% over the same period last year. Profit attributable to equity holders of the Company amounted to RMB5,321 million, representing an increase of 20.25% as compared with the same period last year. Earnings per share for 2010 was RMB0.28.

The following is the financial results for the year ended 31 December 2010 compared to the year ended 31 December 2009.

II. CONSOLIDATED OPERATING RESULTS

1. Revenue

The Group is mainly engaged in engineering and construction, equipment manufacturing, resources development, property development and other businesses. In 2010, the revenue of the Group amounted to RMB206,397 million, representing an increase of RMB40,902 million or 24.71% as compared with RMB165,495 million in 2009. The increase is mainly attributable to the increases of the segment revenues of each segment. Segment revenues of engineering and construction, equipment manufacturing, resources development, property development and other business segments increased by RMB20,534 million or 14.97%, RMB1,495 million or 16.45%, RMB3,293 million or 43.08%, RMB15,471 million or 163.92%, and RMB2,278 million or 59.77% respectively (all before inter-segment elimination).

2. Cost of sales and gross profit

The Group's cost of sales primarily includes material cost (raw materials, products and work-in-progress consumed, equipment purchased and consumables used), subcontracting charges, employee benefits and other costs. In 2010, cost of sales of the Group amounted to RMB185,635 million, representing an increase of RMB35,949 million or 24.02% as compared with RMB149,686 million in 2009. The increase is mainly attributable to the growth of the Group's business volume.

In 2010, the gross profit of the Group amounted to RMB20,762 million, representing an increase of RMB4,953 million or 31.33% as compared with RMB15,809 million in 2009. Gross profit margin of the Group was 10.06% for 2010, 0.51% higher than 9.55% for 2009.

In 2010, all the segments of the Group, namely engineering and construction, equipment manufacturing, resources development, property development and other businesses, respectively recorded a gross profit of RMB13,649 million, RMB927 million, RMB1,424 million, RMB4,645 million and RMB232 million, and the gross profit margins were 8.65%, 8.76%, 13.02%, 18.65% and 3.81% respectively (all before inter-segment elimination).

3. **Operating profit**

In 2010, the operating profit of the Group amounted to RMB10,436 million, representing an increase of RMB2,018 million or 23.97% as compared with RMB8,418 million in 2009. The increase is mainly attributable to the growth in the segment results of the property development and resources development segments of the Group whose segment results increased by RMB2,755 million or 263.38% and RMB180 million or 48.91% respectively from 2009 (all before inter-segment elimination). The segment results of engineering and construction, equipment manufacturing and other business segments of the Group decreased by RMB448 million or 6.49%, RMB293 million or 143.63% and RMB139 million or 70.56% respectively from 2009 (all before inter-segment elimination).

4. **Finance income**

The Group's finance income consisted mainly of interest income on bank deposits, interest income on held-to-maturity financial assets, interest income on loans to related parties, income on advances for third parties and gain on debt restructuring. Finance income of the Group for 2010 amounted to RMB849 million, representing an increase of RMB43 million or 5.33% as compared with RMB806 million for 2009, mainly attributable to the increase in interests income on bank deposits and the increase in interests income on loans to related parties as a result of the rise of benchmark interest rate for bank deposit and the increase in amount of loans to related parties.

5. **Finance costs**

The Group's finance costs consisted mainly of interest expenses on bank borrowings and borrowings from other financial institutions, net foreign exchange losses/(gains) on borrowings, and discount charges on bank acceptance notes, less amounts capitalized in construction in progress and amounts capitalized in properties under development. Finance costs of the Group increased by RMB255 million or 9.73% from RMB2,621 million for 2009 to RMB2,876 million for 2010, mainly attributable to the increase in interest expense on borrowings as a result of the rise of interest on bank loans.

6. **Share of profits of associates**

The Group's share of profits of associates is the profits attributable to the Group from its associates, net of the losses attributable to the Group from its associates, pursuant to its equity interests in such associates. The Group's share of profits of associates increased by RMB49 million or 57.65% from RMB85 million for 2009 to RMB134 million for 2010.

7. **Profit before income tax**

As a result of the foregoing, the Group's profit before income tax increased by RMB1,855 million or 27.74% from RMB6,688 million for 2009 to RMB8,543 million for 2010.

8. **Income tax expense**

The Group's income tax expense increased by RMB1,472 million or 98.13% from RMB1,500 million for 2009 to RMB2,972 million for 2010. The Group's effective tax rate was 34.79% for 2010, up 12.36% from 22.43% for 2009, mainly attributable to the significant growth in land appreciation tax as a result of the significant growth of the property development segment, the expiry of preferential tax policies and the rise in losses of a few subsidiaries. Meanwhile, the reversal of deferred income tax assets recognized for tax losses of the previous year for Huludao Nonferrous Metals Group Co., Ltd., one of our subsidiaries, was another factor leading to the higher effective tax rate in 2010.

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

Profit/(loss) attributable to non-controlling interests represent the interests of outside shareholders in the results of operations of non-wholly owned subsidiaries of the Company. The profit attributable to non-controlling interests for 2010 amounted to RMB250 million, as compared with profit attributable to non-controlling interests of RMB763 million for 2009. Although the net profit increased, the profit attributable to non-controlling interests decreased, mainly attributable to the lower shareholding percentage of external shareholders and an increase in earnings of the Company's wholly-owned subsidiaries.

10. Profit attributable to equity holders of the Company

Based on the above, the profit attributable to equity holders of the Company increased by RMB896 million or 20.25% from RMB4,425 million for 2009 to RMB5,321 million for 2010.

Margin of profit attributable to equity holders of the Company decreased from 2.67% for 2009 to 2.58% for 2010.

III. DISCUSSION OF RESULTS BY SEGMENT

The following table sets forth the Group's revenue, gross profit and operating profit for the years ended 31 December 2010 and 2009.

	Segment revenue For the year ended 31 December		Gross profit For the year ended 31 December		Gross profit margin For the year ended 31 December		Segment result For the year ended 31 December		Segment result margin [1] For the year ended 31 December	
	2010	2009 (As restated)	2010	2009 (As restated)	2010	2009 (As restated)	2010	2009 (As restated)	2010	2009 (As restated)
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	%	%	*(RMB million)*	*(RMB million)*	%	%
Engineering and construction	157,706	137,172	13,649	12,374	8.65%	9.02%	6,459	6,907	4.10%	5.04%
% of the total	75.02%	82.06%	65.38%	77.44%			59.94%	79.19%		
Equipment manufacturing	10,584	9,089	927	840	8.76%	9.24%	(89)	204	-0.84%	2.24%
% of the total	5.03%	5.44%	4.44%	5.26%			-0.83%	2.34%		
Resources development	10,937	7,644	1,424	958	13.02%	12.53%	548	368	5.01%	4.81%
% of the total	5.20%	4.57%	6.82%	6.00%			5.08%	4.22%		
Property development	24,909	9,438	4,645	1,432	18.65%	15.17%	3,801	1,046	15.26%	11.08%
% of the total	11.85%	5.65%	22.25%	8.96%			35.27%	11.99%		
Other business	6,089	3,811	232	374	3.81%	9.81%	58	197	0.95%	5.17%
% of the total	2.90%	2.28%	1.11%	2.34%			0.54%	2.26%		
Subtotal	210,225	167,154	20,877	15,978	9.93%	9.56%	10,777	8,722	5.13%	5.22%
Inter-segment elimination	(3,828)	(1,659)	(115)	(169)			(115)	(169)		
Total	206,397	165,495	20,762	15,809	10.06%	9.55%	10,662	8,553	5.17%	5.17%
Unallocated administrative expenses							(226)	(135)		
Total operating profit							10,436	8,418		

[1] Segment result margin represents segment result as a percentage of segment revenue.

1. Engineering and construction

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

The following table sets forth the principal result information for engineering and construction business for the years ended 31 December 2010 and 2009.

	For the year ended 31 December	
	2010	2009
		(As restated)
	(RMB million)	*(RMB million)*
Segment revenue	**157,706**	137,172
Cost of sales	**(144,057)**	(124,798)
Gross profit	**13,649**	12,374
Selling and marketing expenses	**(749)**	(556)
Administrative expenses	**(7,022)**	(5,460)
Other income and gains	**581**	549
Segment result	**6,459**	6,907
Depreciation and amortisation	**1,115**	916

Segment revenue. Segment revenue from engineering and construction business increased by RMB20,534 million or 14.97% from RMB137,172 million for 2009 to RMB157,706 million for 2010. The increase is mainly attributable to the settlement of the revenue from metallurgical projects and non-metallurgical projects.

Cost of sales and gross profit. Cost of sales of engineering and construction business increased by RMB19,259 million or 15.43% from RMB124,798 million for 2009 to RMB144,057 million for 2010. Percentage of cost of sales against segment revenue increased to 91.35% for 2010 from 90.98% for 2009. The increase is mainly attributable to the rise in the procurement cost of raw materials and subcontracting charges.

Gross profit generated from the engineering and construction business increased by RMB1,275 million or 10.30% from RMB12,374 million for 2009 to RMB13,649 million for 2010. Gross profit margin of engineering and construction business decreased to 8.65% for 2010 from 9.02% for 2009. The decrease is mainly attributable to the decrease in proportion of metallurgical engineering and construction, which had a relatively higher gross profit margin and the decline in the contract gross profit for an individual project as a result of the fiercer competition in industries such as property construction, municipal construction and urban infrastructure. The income recognition of low gross profit contracts led to the decrease in gross profit margin in 2010. Meanwhile, the increase in labour cost and procurement cost is another factor for driving down the gross profit margin.

Selling and marketing expenses. Selling and marketing expenses incurred for the engineering and construction business increased by RMB193 million or 34.71% from RMB556 million for 2009 to RMB749 million for 2010. The increase is mainly attributable to the growth of income.

Administrative expenses. Administrative expenses incurred for the engineering and construction business increased by RMB1,562 million or 28.61% from RMB5,460 million for 2009 to RMB7,022 million for 2010. The increase is mainly attributable to the rise of labour cost.

Other income and gains. Other income and gains for the engineering and construction business increased by RMB32 million or 5.83% from RMB549 million for 2009 to RMB581 million for 2010.

Segment result. Segment result of the engineering and construction business decreased by RMB448 million or 6.49% from RMB6,907 million for 2009 to RMB6,459 million for 2010.

2. Equipment manufacturing

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

The following table sets forth the principal result information for equipment manufacturing business for the years ended 31 December 2010 and 2009.

	For the year ended 31 December	
	2010	2009
		(As restated)
	(RMB million)	*(RMB million)*
Segment revenue	**10,584**	9,089
Cost of sales	**(9,657)**	(8,249)
Gross profit	**927**	840
Selling and marketing expenses	**(208)**	(172)
Administrative expenses	**(874)**	(607)
Other income and gains	**66**	143
Segment result	**(89)**	204
Depreciation and amortisation	**306**	220

Segment revenue. Segment revenue from the equipment manufacturing business increased by RMB1,495 million or 16.45% from RMB9,089 million for 2009 to RMB10,584 million for 2010. The increase is mainly attributable to the acceptance of large steel structure projects as a result of the recovery of the macro-economic environment, particularly the national steel trading market. Meanwhile, the commencement of production of new production lines in CERI (Yingkou) Equipment Production Base (中冶京誠(營口)裝備製造基地) is another contributor to the increase in revenue.

Cost of sales and gross profit. Cost of sales incurred from the equipment manufacturing business increased by RMB1,408 million or 17.07% from RMB8,249 million for 2009 to RMB9,657 million for 2010. Percentage of cost of sales against segment revenue increased to 91.24% for 2010 from 90.76% for 2009. The increase is mainly attributable to the increase in raw material procurement costs and labor costs.

Gross profit of the equipment manufacturing business increased by RMB87 million or 10.36% from RMB840 million for 2009 to RMB927 million for 2010. Gross profit margin of the equipment manufacturing business decreased to 8.76% in 2010 from 9.24% for 2009. The decrease is mainly attributable to the negative gross profit as a result of the trial operation of CERI Yingkou Equipment Development and Manufacturing Co.,Ltd. (中冶京誠(營口)裝備製造技術有限公司), which only commenced since the second half of 2009. As the market is still under development upon commencement of the new production line, the product price was relatively low and could not cover the cost incurred. Meanwhile, the increase in procurement costs partly contributed to the decrease of gross profit.

Selling and marketing expenses. Selling and marketing expenses incurred for the equipment manufacturing business increased by RMB36 million or 20.93% from RMB172 million for 2009 to RMB208 million for 2010.

Administrative expenses. Administrative expenses incurred for the equipment manufacturing business increased by RMB267 million or 43.99% from RMB607 million for 2009 to RMB874 million for 2010. The increase is mainly attributable to the increase in employee benefit expenses and daily office expenses.

Other income and gains. Other income and gains for the equipment manufacturing business decreased by RMB77 million or 53.85% from RMB143 million for 2009 to RMB66 million for 2010.

Segment result. Segment result of the equipment manufacturing business recorded a loss of RMB89 million for 2010, as compared with a profit of RMB204 million for 2009. The loss in segment result is mainly attributable to the negative gross profit as a result of the high production costs of CERI Yingkou Equipment Development and Manufacturing Co., Ltd. (中冶京誠(營口)裝備製造技術有限公司) of the Group in 2010.

3. Resources development

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

The following table sets forth the principal result information for resources development business for the years ended 31 December 2010 and 2009.

	For the year ended 31 December	
	2010	2009
		(As restated)
	(RMB million)	*(RMB million)*
Segment revenue	**10,937**	7,644
Cost of sales	**(9,513)**	(6,686)
Gross profit	**1,424**	958
Selling and marketing expenses	**(150)**	(98)
Administrative expenses	**(810)**	(659)
Other income and gains	**84**	167
Segment result	**548**	368
Depreciation and amortisation	**581**	484

Segment revenue. Segment revenue of resources development business increased by RMB3,293 million or 43.08% from RMB7,644 million for 2009 to RMB10,937 million for 2010. The increase is mainly attributable to the increase in sales volume and average sales price of certain nonferrous metals of MCC Huludao Nonferrous Metals Group Co., Ltd., one of the subsidiaries, and the increase in the sales volume of other products of the Group such as polysilicon and copper-gold.

Cost of sales and gross profit. Cost of sales incurred from resources development business increased by RMB2,827 million or 42.28% from RMB6,686 million for 2009 to RMB9,513 million for 2010. Percentage of the cost of sales in segment revenue decreased from 87.47% for 2009 to 86.98% for 2010.

Gross profit of resources development business increased by RMB466 million or 48.64% from RMB958 million for 2009 to RMB1,424 million for 2010. Gross profit margin of the resources development business increased from 12.53% for 2009 to 13.02% for 2010. The increase is mainly attributable to the increase in prices of certain nonferrous metals and the decrease in unit production cost of polysilicon of the Group.

Selling and marketing expenses. Selling and marketing expenses incurred for resources development business increased by RMB52 million or 53.06% from RMB98 million for 2009 to RMB150 million for 2010.

Administrative expenses. Administrative expenses incurred for the resources development business increased by RMB151 million or 22.91% from RMB659 million for 2009 to RMB810 million for 2010.

Other income and gains. Other income and gains for the resources development business decreased by RMB83 million or 49.70% from RMB167 million for 2009 to RMB84 million for 2010.

Segment result. Segment result of the resources development business increased by RMB180 million or 48.91% from RMB368 million for 2009 to RMB548 million for 2010.

4. Property development business

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

The following table sets forth the principal result information for property development business for the years ended 31 December 2010 and 2009.

	For the Year Ended 31 December	
	2010	2009
		(As restated)
	(RMB million)	*(RMB million)*
Segment revenue	**24,909**	9,438
Cost of sales	**(20,264)**	(8,006)
Gross profit	**4,645**	1,432
Selling and marketing expenses	**(339)**	(143)
Administrative expenses	**(634)**	(226)
Other income and gains/(expenses)	**129**	(17)
Segment result	**3,801**	1,046
Depreciation and amortisation	**30**	30

Segment revenue. Segment revenue of property development business increased by RMB15,471 million or 163.92% from RMB9,438 million for 2009 to RMB24,909 million for 2010. The increase is mainly attributable to the sales and recognition of revenue of various projects, including commodity properties, primary land development and social welfare housing projects in 2010. In addition, continuing rise in sales prices of properties also contributed to the revenue growth of our property development business.

Cost of sales and gross profit. Cost of sales incurred from the property development business increased by RMB12,258 million or 153.11% from RMB8,006 million for 2009 to RMB20,264 million for 2010. Percentage of the cost of sales against segment revenue decreased from 84.83% for 2009 to 81.35% for 2010.

Gross profit of the property development business increased by RMB3,213 million or 224.37% from RMB1,432 million for 2009 to RMB4,645 million for 2010. Gross profit margin of the property development business increased from 15.17% for 2009 to 18.65% for 2010, mainly attributable to more revenue contribution from projects with higher gross profit in 2010.

Selling and marketing expenses. Selling and marketing expenses incurred for the property development business increased by RMB196 million or 137.06% from RMB143 million for 2009 to RMB339 million for 2010.

Administrative expenses. Administrative expenses incurred for property development business increased by RMB408 million or 180.53% from RMB226 million for 2009 to RMB634 million for 2010. The increase was primarily due to the increase in labour cost and daily office expenses as a result of establishment of new companies.

Other income and gains/(expenses). Other income and gains for the property development business for 2010 amounted to RMB129 million, representing an increase of RMB146 million or 858.82% as compared with other expenses of RMB17 million in 2009, which is mainly attributable to recognition of gain on disposal of subsidiaries in 2010.

Segment result. Segment result of property development business increased by RMB2,755 million or 263.38% from RMB1,046 million for 2009 to RMB3,801 million for 2010.

5. *Other businesses*

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

The following table sets forth the principal result information for other businesses for the years ended 31 December 2010 and 2009.

	For the Year Ended 31 December	
	2010	2009 (As restated)
	(RMB million)	*(RMB million)*
Segment revenue	**6,089**	3,811
Cost of sales	**(5,857)**	(3,437)
Gross profit	**232**	374
Selling and marketing expenses	**(84)**	(74)
Administrative expenses	**(123)**	(115)
Other income and gains	**33**	12
Segment result	**58**	197
Depreciation and amortisation	**61**	40

Segment revenue. Segment revenue of other businesses increased by RMB2,278 million or 59.77% from RMB3,811 million for 2009 to RMB6,089 million for 2010. Segment revenue of other businesses is mainly generated from the import and export and consultancy services. The increase in segment revenue of other businesses is mainly attributable to the increase in trading volume of nonferrous metals in 2010.

Cost of sales and gross profit. Cost of sales incurred from other businesses increased by RMB2,420 million or 70.41% from RMB3,437 million for 2009 to RMB5,857 million for 2010. Percentage of cost of sales against segment revenue increased to 96.19% for 2010 from 90.19% for 2009. The increase is mainly attributable to the increase in procurement costs of nonferrous metals.

Gross profit of other businesses decreased by RMB142 million or 37.97% from RMB374 million for 2009 to RMB232 million for 2010. Gross profit margin of other businesses decreased from 9.81% for 2009 to 3.81% for 2010. The decrease is mainly attributable to more revenue contribution from nonferrous metals business with low gross profit in 2010.

Selling and marketing expenses. Selling and marketing expenses incurred for other businesses increased by RMB10 million or 13.51% from RMB74 million for 2009 to RMB84 million for 2010.

Administrative expenses. Administrative expenses incurred for other businesses increased by RMB8 million or 6.96% from RMB115 million for 2009 to RMB123 million for 2010.

Other income and gains. Other income and gains for other businesses increased by RMB21 million or 175.00% from RMB12 million for 2009 to RMB33 million for 2010.

Segment result. Segment result of other businesses decreased by RMB139 million or 70.56% from RMB197 million for 2009 to RMB58 million for 2010.

IV. LIQUIDITY AND CAPITAL RESOURCES

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

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

1. Information on cash flow

The following cash flows information is extracted from the consolidated cash flow statement of the Group for the years ended 31 December 2010 and 2009.

	For the Year Ended 31 December	
	2010	2009 (As restated)
	(RMB million)	*(RMB million)*
Net cash used in operating activities	**(25,121)**	(6,811)
Net cash used in investing activities	**(11,335)**	(15,705)
Net cash generated from financing activities	**31,178**	41,044
Net (decrease)/increase in cash and cash equivalents	**(5,278)**	18,528
Cash and cash equivalents at the beginning of the year	**44,740**	26,193
Exchange gains/(losses) on cash and cash equivalents	**(160)**	19
Balance of cash and cash equivalents at the end of the period	**39,302**	44,740

2. Cash flows from operating activities

In 2010, the Group's net cash used in operating activities amounted to RMB25,121 million as compared with net cash used in operating activities of RMB6,811 million in 2009. The increase of RMB18,310 million in net cash used in operating activities was mainly due to the advance payment by the subsidiaries of the Group for the construction of projects of roads and bridges, public facilities and social welfare housing in 2010, which usually represented BT (Build-Transfer, a business model in which the contractor undertakes the financing of construction expenditures and transfers the project back to the project proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in installments pursuant to relevant agreements) or BOT projects vigorously carried out by the Group's subsidiaries through cooperation with governments. Therefore, the Group had a large cash outflow.

3. Cash flows from investing activities

In 2010, the Group's net cash used in investing activities amounted to RMB11,335 million as compared to RMB15,705 million in 2009. The net cash flow used in investing activities decreased by RMB4,370 million, which was mainly due to the decrease in cash payment for establishing new subsidiaries and the purchases of fixed assets and land use rights.

4. Cash flows from financing activities

In 2010, the Group's net cash generated from financing activities amounted to RMB31,178 million, representing a decrease of RMB9,866 million from RMB41,044 million in 2009. In 2009, the Company obtained the proceeds raised from its initial public offerings in the domestic and overseas capital markets. In 2010, the Group's main financing method include borrowing and issuance of debentures.

5. Capital expenditures

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

The following table sets forth the capital expenditures by business for the years ended 31 December 2010 and 2009 respectively.

	For the Year Ended 31 December	
	2010	2009 (As restated)
	(RMB million)	*(RMB million)*
Engineering and construction business	**4,385**	3,268
Equipment manufacturing business	**2,179**	2,756
Resources development business	**4,993**	5,495
Property development business	**91**	238
Other businesses	**914**	59
Total	**12,562**	11,816

The Group's capital expenditures for the year ended 31 December 2010 amounted to RMB12,562 million, representing an increase of RMB746 million or 6.31% from RMB11,816 million for the year ended 31 December 2009.

6. Working capital

Trade receivables and trade payables.

The following table sets forth the turnover days of the average trade receivables and the turnover days of the average trade payables of the Group for the year ended 31 December 2010 and 2009.

	For the Year Ended 31 December	
	2010	2009 (As restated)
	days	*days*
The turnover days of the average trade receivables [1]	**91**	82
The turnover days of the average trade payables [2]	**107**	109

[1] The average trade receivables are the sum of opening balance and the closing balance of trade receivables divided by two. The turnover days of the average trade receivables are the average trade receivables divided by revenue and multiplied by 365.

[2] The average trade payables are the sum of opening balance and the closing balance of trade payables divided by two. The turnover days of the average trade payables are the average trade payables divided by cost of sales and multiplied by 365.

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

	As at 31 December	
	2010	2009 (As restated)
	(RMB million)	*(RMB million)*
Less than one year	**47,738**	32,396
One to two years	**9,281**	5,940
Two to three years	**2,691**	1,927
Three to four years	**1,133**	471
Four to five years	**257**	252
Over five years	**674**	655
Total	**61,774**	41,641

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

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

	As at 31 December	
	2010	2009
		(As restated)
	(RMB million)	*(RMB million)*
Within one year	**47,145**	38,608
One to two years	**7,895**	7,412
Two to three years	**3,030**	1,823
Over three years	**1,666**	1,121
Total	**59,736**	48,964

7. Retentions

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

	As at 31 December	
	2010	2009
		(As restated)
	(RMB million)	*(RMB million)*
Current portion	**1,284**	831
Non-current portion	**695**	797
Total	**1,979**	1,628

V. INDEBTEDNESS

1. Borrowings

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

	As at 31 December	
	2010	2009 (As restated)
	(RMB million)	*(RMB million)*
Non-current		
Long-term bank borrowings		
— Secured [(a)]	**4,379**	3,940
— Unsecured	**23,552**	24,825
	27,931	28,765
Other long-term borrowings		
— Secured [(a)]	**—**	522
— Unsecured	**6,562**	3,592
— Debentures [(b(i))]	**18,182**	3,500
	24,744	7,614
Total non-current borrowings	**52,675**	36,379
Current		
Short-term bank borrowings		
— Secured [(a)]	**3,323**	4,123
— Unsecured	**18,995**	19,838
	22,318	23,961

	As at 31 December	
	2010	2009 (As restated)
	(RMB million)	*(RMB million)*
Other short-term borrowings		
— Secured	**—**	—
— Unsecured	**4,952**	703
— Debentures (b(ii))	**18,350**	—
	23,302	703
Current portion of long-term bank borrowings		
— Secured (a)	**717**	1,770
— Unsecured	**6,380**	1,674
	7,097	3,444
Current portion of other long-term borrowings		
— Secured (a)	**—**	3,500
— Unsecured	**532**	—
	532	3,500
Total current borrowings	**53,249**	31,608
Total borrowings	**105,924**	67,987

(a) Secured borrowings of the Group were secured by the Group's property, plant and equipment, land use rights and properties under development.

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

As approved by the National Association of Financial Market Institutional Investors, the Group issued its Tranche I Medium-Term Notes ("MTN") on 19 September 2010 at a discount price of RMB9,982 million with a par value of RMB10,000 million, with a maturity of ten years from issuance and interest rate of 3.95% per annum with the issuer's redemption rights at the end of fifth year. If the Group does not exercise its redemption rights in the fifth year, the coupon rate of the MTN for the 6th year to the 10th year will increase to 5.09%.

The Group issued its Tranche II second period MTN on 15 November 2010 of RMB 4,700 million, with a maturity of five years from issuance and interest rate of 4.72% per annum.

(ii) As approved by the National Association of Financial Market Institutional Investors, the Group issued its Tranche I short-term debentures on 28 May 2010 at par value of RMB 4,000 million, with a maturity of one year from issuance. The debentures are unsecured, and bear interests at a fixed rate of 2.73% per annum, out of which RMB50 million was issued to a subsidiary of the Group.

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

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

The following table sets forth the maturities of the Group's total borrowings as of 31 December 2010 and 2009.

	As at 31 December	
	2010	2009
		(As restated)
	RMB million	*RMB million*
Less than one year	**53,249**	31,608
One to two years	**15,548**	13,924
Two to five years	**19,360**	16,497
Wholly repayable within five years	**88,157**	62,029
More than five years	**17,767**	5,958
Total	**105,924**	67,987

The Group's borrowings are principally denominated in RMB, U.S. dollar and Singapore dollar. The following table sets forth the book value of our borrowings denominated in RMB, U.S. dollar and Singapore dollar for the years ended 31 December 2010 and 2009.

	As at 31 December	
	2010	2009
		(As restated)
	RMB million	*RMB million*
RMB	**100,125**	65,204
U.S. dollar	**4,705**	2,780
Singapore dollar	**1,094**	3
Total	**105,924**	67,987

2. Financial Guarantee

The nominal values of the financial guarantees issued by the Group as at 31 December 2010 and 2009 are set out as below:

	The year ended 31 December	
	2010	2009
		(As restated)
	RMB million	*RMB million*
Outstanding guarantees[(i)]		
— Third parties	**288**	1,646
— Related parties	**100**	0
Total	**388**	1,646

(i) The Group has acted as the guarantor mainly for various external borrowings made by certain third parties.

3. Contingencies

	As at 31 December 2010	As at 31 December 2009
		(As restated)
	RMB million	*RMB million*
Pending lawsuits/arbitrations	**318**	462

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

VI. MARKET RISKS

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

1. Interest Rate Risk

The Group's exposure to interest rate risk relates principally to our restricted cash, cash and cash equivalents, trade and other receivables and borrowings. Restricted cash, cash and cash equivalents, trade and other receivables and borrowings at variable rates expose us to cash flow interest-rate risk, and those at fixed rates expose us to fair value interest-rate risk. As of 31 December 2010, approximately RMB430 million (2009: RMB364 million) of the Company's restricted cash; approximately RMB477 million (2009: RMB317 million) of the Company's cash and cash equivalents and approximately RMB54,254 million (2009: RMB29,977 million) of the Company's borrowing were at fixed rates.

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

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

As at 31 December 2010, if the interest rate on RMB-denominated borrowings had been 100 basis points higher with all other variables held constant as at the date of each balance sheet, which was considered reasonably possible by management, profit after income tax for the year ended 31 December 2010 would have been RMB195 million lower, mainly as a result of higher interest expenses on bank borrowings and the amounts due to related parties.

As at 31 December 2010, if the interest rate on US dollar-denominated borrowings had been 100 basis points higher with all other variables held constant, which was considered reasonably possible by management, profit after income tax for the year ended 31 December 2010 would have been RMB19 million lower, mainly as a result of higher interest expenses on bank borrowings and the amounts due to related parties.

2. Foreign Exchange Risk

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

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

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

As at 31 December 2010, if RMB had strengthened by 5% (2009: 5%) against U.S. dollar, HK dollar and other foreign currencies, with all other variables held constant, which was considered reasonably possible by management, the profit after tax for the year ended 31 December 2010 would have been approximately RMB393 million higher (2009: RMB174 million lower in profit after tax), mainly as a result of foreign exchange losses/gains on translation of U.S. dollar-denominated, HK dollar-denominated and other foreign currencies-denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

3. Price Risk

The Group is exposed to equity securities price risk because the Group's equity securities investments are classified as available-for-sale financial assets or 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 or 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	
	2010	2009
Change in equity price	**1%**	1%

	Year ended 31 December	
	2010	2009
	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		
— as a result of increase in equity securities price	**—**	3
— as a result of decrease in equity securities price	**—**	(3)
Impact on equity		
Increase/(decrease) in equity for the year		
— as a result of increase in equity securities price	**9**	8
— as a result of decrease in equity securities price	**(9)**	(8)

4. Credit Risk

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

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

The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of our customers. Normally the Group does not require collateral from trade debtors. No single customer accounted for more than 5% of the Group's revenue during 2010.

5. Liquidity Risk

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

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

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

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
As at 31 December 2010					
Borrowings	53,249	17,339	23,809	22,684	117,081
Trade and other payables	72,836	855	—	—	73,691
	126,085	18,194	23,809	22,684	190,772
As at 31 December 2009 (As restated, see note 2.1)					
Borrowings	31,608	15,517	18,945	7,798	73,868
Trade and other payables	63,553	6,186	—	—	69,739
	95,161	21,703	18,945	7,798	143,607

Corporate Governance Report

OVERVIEW

As a company listed on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange, the Company, in strict compliance with requirements of relevant laws and regulations such as the PRC Company Law, the PRC Securities Law and the Hong Kong Listing Rules, has further refined the Company's legal person governance structure and improved the Company's rules and systems.

During the Reporting Period, the Board of the Company had consecutively amended the provisions in the Articles of Association of Metallurgical Corporation of China Ltd.* (《中國冶金科工股份有限公司章程》), the Work Rules for Finance and Audit Committee of Metallurgical Corporation of China Ltd.*(《中國冶金科工股份有限公司財務與審計委員會工作細則》), the Work Rules for Strategy Committee of Metallurgical Corporation of China Ltd.*(《中國冶金科工股份有限公司戰略委員會工作細則》), the Work Rules for Remuneration Committee of Metallurgical Corporation of China Ltd.*(《中國冶金科工股份有限公司薪酬與考核委員會工作細則》), the Work Rules for Nomination Committee of Metallurgical Corporation of China Ltd.*(《中國冶金科工股份有限公司提名委員會工作細則》), the Management Manual on External Guarantees of Metallurgical Corporation of China Ltd.* (《中國冶金科工股份有限公司對外擔保管理制度》) as well as the Management Manual on External Investments of Metallurgical Corporation of China Ltd.* (《中國冶金科工股份有限公司對外投資管理辦法》). It also approved a series of rules and systems including the Management System for Insider Information of Metallurgical Corporation of China Ltd.* (《中國冶金科工股份有限公司內幕信息管理制度》), the Inquiry System for Material Mistakes in Information Disclosure of Annual Report of Metallurgical Corporation of China Ltd.* (《中國冶金科工股份有限公司年報信息披露重大差錯責任追究制度》), the Annual Report Work Manual for Independent Directors of Metallurgical Corporation of China Ltd.* (《中國冶金科工股份有限公司獨立董事年報工作制度》), the Annual Report Work Manual for Finance and Audit Committee of the Board of Directors of Metallurgical Corporation of China Ltd.* (《中國冶金科工股份有限公司董事會財務與審計委員會年報工作制度》), the Work Rules for Risk Management Committee of Metallurgical Corporation of China Ltd.*(《中國冶金科工股份有限公司風險管理委員會工作細則》) as well as the Management Method on Raised Proceeds of H Shares of Metallurgical Corporation of China Ltd.* (《中國冶金科工股份有限公司H股募集資金管理制度》). All these contributed to the improvement of the Company's governance structure.

The Board has reviewed the corporate governance report of the Company. Except as set out in the section under the heading "Finance and Audit Committee" of this corporate governance report, the Board is of the opinion that the Company has complied with the requirements of the code provisions of Code on Corporate Governance Practices contained in Appendix 14 of the Hong Kong Listing Rules during the Reporting Period.

GENERAL MEETINGS

With a view to ensuring that all the Shareholders, especially the minority shareholders, are treated as equals and are able to effectively exercise their rights as Shareholders, the Company convened and held general meetings for the Shareholders to fully exercise their rights in accordance with the requirements provided in the Articles of Association and the Terms of Reference of the General Meetings.

On 16 March 2010, the Company convened the first extraordinary general meeting in Beijing in 2010, at which Proposal for Connected Transactions Related to the Disposal of MCC Tower by MCC Real Estate(《關於中冶置業銷售中冶大廈涉及關聯／連交易的議案》)and the Proposal for Adjustments to Investment Projects Financed by Part of the Proceeds (《關於變更部分募集資金投資項目的議案》) were considered and approved (please refer to the relevant announcement on the resolutions of the extraordinary general meeting published on 17 March 2010 for details).

On 29 June 2010, the Company convened the 2009 AGM, the first 2010 class meeting of the holders of A Shares and the first 2010 class meeting of the holders of H Shares. 17 proposals were considered and approved and one report was received on the 2009 AGM. Such proposals and report involved the report of Directors, the report of Supervisory Committee, the performance report by independent Directors, the proposed final account report and the proposed profit distribution plan for 2009, the guarantees of the Company, the appointment and dismissal of certified public accountants, the remunerations for Directors and Supervisors, the change of registered capital, the amendments to the Articles of Association as well as the issuance of short-term financing bills and medium term notes. The Proposed Grant of General Mandate for Repurchase of Shares of Metallurgical Corporation of China Ltd.* (《關於中國冶金科工股份有限公司回購股份一般授權的議案》) was considered and approved at the first 2010 class meeting of the holders of A/H Shares. Please refer to the relevant announcement on the results of 2009 AGM and the respective class meetings of the holders of A Shares and the holders of H Shares published on the Shanghai Stock Exchange and Hong Kong Stock Exchange on 30 June 2010 for details of resolutions of the above meetings.

THE BOARD

During the Reporting Period, Mr. Liu Benren resigned as non-executive Director, Chairman and other relevant positions of the Board on 9 March 2010. Nominated by the Parent, the controlling shareholder of the Company, Mr. Jing Tianliang was elected as non-executive Director of the Company at the 2009 AGM on 29 June 2010 and was approved as the Chairman of the Company at the 14th meeting of the first session of the Board of the Company.

At present, the Board of the Company comprises 9 Directors. Mr. Jing Tianliang serves as the Chairman and non-executive Director, Mr. Wang Weimin serves as the Vice Chairman and Executive Director, Mr. Shen Heting serves as the President and Executive Director, Mr Guo Wenqing serves as the employee representative Director and Non-executive Director, whereas Mr. Jiang Longsheng, Mr. Wen Keqin, Mr. Liu Li, Mr. Chen Yongkuan and Mr. Cheung Yukming serve as Independent Non-executive Directors, among whom Mr. Liu Li and Mr. Cheung Yukming have expertise in the fields of finance, financial management and accounting, which is in compliance with the requirements of the Hong Kong Listing Rules. None of the 5 Independent Non-executive Directors held other positions within the Company. Meanwhile, the Company has received the confirmation of independence from each Independent Non-executive Director pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that each of the Independent Non-executive Directors remains independent.

All members of the Board have performed their duties with loyalty, honesty and diligence to serve the interests of the Company and all the Shareholders. In accordance with the Articles of Association, the Directors are elected and replaced at general meetings. Each Director serves a term of office of three years and may serve consecutive terms upon expiry of his term of office if re-elected.

Save for their services to the Company, there is no financial, business and familial connection among the Directors, nor any other material relations among them.

I. Operation of the Board in 2010

(I) Board meetings

During the Reporting Period, the Board of the Company held 9 board meetings with 134 considered proposals and received reports. The details of meetings are as follows:

Meetings	Date of meeting
The tenth meeting of the first session of the Board	From 8 January 2010 to 9 January 2010
The eleventh meeting of the first session of the Board	26 March 2010
The twelfth meeting of the first session of the Board	From 26 April 2010 to 28 April 2010
The thirteenth meeting of the first session of the Board	8 June 2010
The fourteenth meeting of the first session of the Board	29 June 2010
The fifteenth meeting of the first session of the Board	From 23 August 2010 to 24 August 2010
The sixteenth meeting of the first session of the Board	31 August 2010
The seventeenth meeting of the first session of the Board	From 28 October 2010 to 29 October 2010
The eighteenth meeting of the first session of the Board	29 November 2010

The attendance of Board meetings by each of the Directors during the Reporting Period are as follows:

Name of Directors	Number of attendance required for the year	Number of meetings attended in person	Attendance through communication tools	Number of meetings attended by proxy	Remarks
Jing Tianliang	5	5	0	0	Officially took office on 29 June 2010
Liu Benren	1	1	0	0	Resigned on 9 March 2010
Wang Weimin	9	7	1	1	
Shen Heting	9	8	1	0	
Guo Wenqing	9	8	1	0	
Jiang Longsheng	9	8	1	0	
Wen Keqin	9	8	1	0	
Liu Li	9	7	1	1	
Chen Yongkuan	9	8	1	0	
Cheung Yukming	9	5	1	3	

(II) Duties and operation of the Board

The Board was elected at and accountable to Shareholders at general meetings. Its duties are to set up development strategies for the Company, to provide appropriate and effective instructions for business activities and to decide on related major issues. In accordance with the requirements of the Articles of Association, the Board is mainly responsible for convening general meetings, submission of work reports at general meetings, implementation of the resolutions of general meetings, deciding on the Company's business and investment plans, deciding on matters such as foreign investment, asset acquisition and disposal, asset guarantee, entrusted asset management and connected transactions, the formulation of the Company's annual financial budgets and final accounts, the formulation of the Company's profit distribution plans and plans for making up for losses, the formulation of proposals for increase or reduction in the Company's registered capital, the issuance of corporate bonds or other securities and the listing plans as well as the preparation for material acquisitions, purchases of the Company's shares, mergers, demergers, dissolutions or changes in the Company's form.

During the Reporting Period, Chairman and President of the Company were segregated and served by different Directors. Based on the principle of "division of labor for the overall interests and respect of each other's duties", the Chairman and the President performed their respective duties in accordance with relevant regulations regarding duty division set out in corporate governance rules such as the Articles of Association, the Terms of Reference for Board Meetings and the Work Rules for President of the Company.

The Chairman is mainly responsible for presiding over general meetings and convening and presiding over Board meetings, checking and facilitating the implementation of the resolutions of the Board; supervising and examining the performance of each special committee under the Board, organizing and formulating rules for different operations of the Board, coordinating the operation of the Board, receiving regular or random work reports submitted by the senior officers of the Company and advising on the implementation of the resolutions of the Board as well as other functions conferred by laws, administrative regulations, department regulations or the Articles of Association and duties authorized by the Board.

The President is accountable to the Board and perform his duties as required by laws, which mainly include taking charge of the Company's production, operation, management and reporting to the Board, the organization of the implementation of the resolutions of the Board, the organization of the implementation of the Company's annual business plans and investment plans, drafting plans for the establishment of the Company's internal management structure, drafting the Company's basic management system as well as the formulation of specific rules and regulations of the Company.

To nail the Board's focus onto major issues and stick to the principle of "setting authorization limits by grasping the large while easing the control over the small", the Board has passed the Proposal related to the Provisional Method for Approval and Management of Business (Investment and Finance) Projects of Metallurgical Corporation of China Ltd.* (《中國冶金科工股份有限公司經營性(投融資類)項目審批管理辦法(試行)的議案》) and the Proposed Authorization of the Approval of Certain Fixed Asset Investment Projects by Office Meetings of the President of the Company and the Company's Subsidiaries (《關於授權股份公司總裁辦公會及子公司批准部分固定資產投資專案的議案》) which adjusted the operation management's authorization limit in respect of the authority approved on fixed asset investment projects, BT construction projects, property projects, comprehensive urban development and urban and rural areas development projects. During the Reporting Period, the operation management of the Company carried out its rights strictly within the scope authorized by the Board and regularly reported to the Board in this regard.

(III) *Special committees under the Board*

During the Reporting Period, the Board adjusted the structure and composition of special committees. As at the end of the Reporting Period, there were five special committees under the Board, namely the Strategy Committee, the Finance and Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Based upon their own responsibilities and specializations, each special committee has fully fulfilled their duties with regard to the major resolutions of the Board by provisions of preliminary reviews and constructive advice on major issues submitted to the Board for resolution as well as consultations and recommendations on key decisions of the Board, with a view to improving the quality and effectiveness of its resolutions.

1. Strategy Committee

The Strategy Committee is mainly responsible for conducting research and submitting proposals regarding the Company's mid-to-long term development strategies and decision-making over material investments and discharging other duties authorized by the Board.

At the fourteenth meeting of the first session of the Board held on 29 June 2010, the composition of the Strategy Committee were adjusted, details of which are as follows:

Strategy Committee	Chairman	Members
Before the adjustment	Mr. Liu Benren*	Mr. Wang Weimin, Mr. Shen Heting, Mr. Guo Wenqing, Mr. Liu Li and Mr. Chen Yongkuan
After the adjustment	Mr. Jing Tianliang	Mr. Wang Weimin, Mr. Shen Heting, Mr. Guo Wenqing, Mr. Liu Li, Mr. Chen Yongkuan and Mr. Cheung Yukming

Note:* On 9 March 2010, Mr. Liu Benren resigned as Chairman, non-executive Director and relevant positions under Strategy Committee.

During the Reporting Period, the Strategy Committee reviewed and deployed the investment plan for 2010, sorted through major investment projects and provided advice for revisions of the Investment Management Rules of MCC (《中國中冶投資管理辦法》) in line with the principle of "conducting hierarchical management by grasping the large while easing the control over the small".

During the Reporting Period, the strategy committee held three meetings with 9 considered proposals and received reports, it also submitted relevant advice and recommendations to the Board in the form of minutes. The attendance of meetings by each committee member are as follows:

Name of Directors	**Number of attendance required for the Directors**	**Number of meetings attended in person**
Jing Tianliang	2	2
Liu Benren	1	1
Wang Weimin	3	2
Shen Heting	3	2
Guo Wenqing	3	2
Liu Li	3	2
Chen Yongkuan	3	3
Cheung Yukming	3	1

2. Finance and Audit Committee

The Finance and Audit Committee is mainly responsible for providing professional advice on finance, audit and internal control to the Board. At the fifteenth meeting of the Board held from 23 to 24 August 2010, the Risk Management Committee was established. Since then, the Finance and Audit Committee has ceased taking charge of the risk management and internal control system of the Company, which are currently the duties of the newly-established Risk Management Committee, and shifted its focus to coordinating the internal control audit. We note that this is a technical deviation from the Code Provision C3.3(f) of the Code on Corporate Governance Practices contained in Appendix 14 of the Hong Kong Listing Rules. At present, the main functions of the Financial and Audit Committee are to propose the appointment or change of external auditors, to supervise the Company's internal audit system and its implementation, to facilitate communications between internal auditors and external auditors, to review the Company's financial information and its disclosure, to consider the Company's cap of gearing ratio and advise to the Board, to take charge of the coordination of internal control audit as well as to discharge other duties authorized by the Board.

On 29 June 2010, the composition of the Finance and Audit Committee was adjusted on the fourteenth meeting of the first session of the Board, details of which are as follows:

Finance and Audit Committee	**Chairman**	**Members**
Before the adjustment	Mr. Liu Li	Mr. Liu Benren*, Mr. Cheung Yukming
After the adjustment	Mr. Liu Li	Mr. Jing Tianliang, Mr. Jiang Longsheng*, Mr. Wen Keqin and Mr. Cheung Yukming

Note:* On 9 March 2010, Mr. Liu Benren resigned as Chairman, non-executive Director and positions in relevant special committees. On the same date, Mr. Jiang Longsheng was elected to be the acting member of the Finance and Audit Committee upon the approval of all the Directors.

During the Reporting Period, the Finance and Audit Committee put emphasis on reviewing the financial statements and profit distribution plans which were disclosed on a regular basis, advised on the establishment of risk management and internal control systems to the Board, suggested revisions on the external guarantee system of MCC and its subsidiaries as well as the implementation of related guarantees. Besides, it also proactively communicated with auditors of the year and advised on their appointments.

During the Reporting Period, the Finance and Audit Committee held seven meetings with 30 considered proposals and received reports, it also submitted relevant advice and recommendations to the Board in the form of minutes. The attendance of meetings by each committee member are as follows:

Name of Directors	**Number of attendance required for the Directors**	**Number of meetings attended in person**
Jing Tianliang	4	4
Liu Benren	1	1
Liu Li	7	7
Jiang Longsheng	5	5
Wen Keqin	4	3
Cheung Yukming	7	5

3. Nomination Committee

The Nomination Committee is mainly responsible for studying the standards, procedures and methodology for the election of Directors, Presidents and other Senior Management of the Company and submitting the proposals to the Board, extensively identifying qualified candidates to fill the positions of Directors, Presidents and other Senior Management, assessing the candidates for Directors, Presidents and other Senior Management and advising to the Board in this respect and discharging other duties authorized by the Board.

On 29 June 2010, the composition of the Nomination Committee was adjusted on the fourteenth meeting of the first session of the Board, details of which are as follows:

Nomination Committee	**Chairman**	**Members**
Before the adjustment	Wen Keqin	Mr. Liu Benren*, Mr. Wang Weimin, Mr. Shen Heting, Mr. Jiang Longsheng and Mr. Chen Yongkuan
After the adjustment	Wen Keqin	Mr. Wang Weimin, Mr. Shen Heting, Mr. Jiang Longsheng and Mr. Chen Yongkuan

Note:* On 9 March 2010, Mr. Liu Benren resigned as Chairman, non-executive Director and relevant positions in the Nomination Committee.

During the Reporting Period, the Nomination Committee held one meeting on 28 October 2010, where the replacement of the Secretary to the Board was mainly kickstarted and arranged. On this meeting, the Proposed Appointment and Dismissal of the Secretary to the Board of MCC (《有關中國中冶董事會秘書任免的議案》) was considered with relevant advice and recommendations submitted to the Board in the form of minutes. The meeting was attended by all committee members, including Mr. Wen Keqin, Mr. Wang Weimin, Mr. Shen Heting, Mr. Jiang Longsheng and Mr. Chen Yongkuan.

4. Remuneration Committee

The Remuneration Committee is mainly responsible for studying the assessment criteria of Directors and Senior Management, organizing assessment initiatives and offering recommendations, studying and reviewing the compensation policies and proposals of Directors and Senior Management and discharging other duties authorized by the Board.

On 29 June 2010, the composition of the Remuneration Committee was adjusted on the fourteenth meeting of the first session of the Board, the details of which are as follows:

Remuneration Committee	Chairman	Members
Before the adjustment	Mr. Jiang Longsheng	Mr. Wen Keqin and Mr. Chen Yongkuan
After the adjustment	Mr. Jiang Longsheng	Mr. Jing Tianliang, Mr. Wen Keqin, Mr. Chen Yongkuan and Mr. Liu Li

During the Reporting Period, the Remuneration Committee worked on the assessment of Senior Management. In the spirit presented in the SASAC Work Meeting of the Performance Assessment of Central Enterprise Directors (國資委中央企業負責人業績考核工作會議), the committee studied and carried out the work regarding the performance assessment of Senior Management for 2009 and discussed the remuneration distribution proposal. Professional advice and recommendations were also submitted to the Board by the committee.

During the Reporting Period, the Remuneration Committee held four meetings altogether with 4 considered proposals and received reports, it also submitted relevant advice and recommendations to the Board in the form of minutes. The attendance of meetings by each committee member are as follows:

Name of Directors	Number of attendance required for the Directors	Number of meetings attended in person
Jing Tianliang	2	2
Jiang Longsheng	4	4
Wen Keqin	4	4
Chen Yongkuan	4	4
Liu Li	2	1

5. Risk Management Committee

The Risk Management Committee was set up upon the approval of the resolution at the fifteenth meeting of the Board which was held on 23 and 24 August 2010. It is mainly responsible for the consideration of regulations, procedures and major control targets in risk management and internal control, recommending to the Board based upon the research on the risks and risk control of major investment and finance projects and major events in business management as well as discharging other duties authorized by the Board.

During the Reporting Period, the Risk Management Committee comprised 7 Directors, namely Mr. Jing Tianliang as Chairman and Mr. Wang Weimin, Mr. Shen Heting, Mr. Jiang Longsheng, Mr. Liu Li, Mr. Chen Yongkuan and Mr. Cheung Yukming as committee members.

During the Reporting Period, the Risk Management Committee did not convene any meetings.

II. Major Tasks of the Board in 2011

Year 2011 marks the beginning of the "third five-year" plan of the Parent with MCC as its core asset. To ensure orderly implementation of various operations and better serve its role in strategic control, the Board sets out the following seven major tasks:

First, it will map out the third five-year plan of the Company in line with the national twelfth five-year plan during the first quarter. It will start off by planning scientifically, so as to organize implementation work of the development plan.

Second, it will strive to enhance the overall corporate quality of the Company and its core competitiveness, with a focus on developing its principal business, equipping its subsidiaries with international competitiveness, capitalizing on development opportunities in emerging industries and stepping up its "go global" strategies.

Third, it will establish a sound image for the Company as a listed company. In order to bring sustained and stable returns to its shareholders, it will strive for excellent operating results whilst attaching importance to healthy development of the Company by ensuring compliance of the Company's operations with laws and regulations. It will manage investor relations and market value and build up a good image by focusing equally on social undertakings and the Company's long-term development.

Fourth, it will optimize its assessment on economic value added to enhance the Company's ability to create corporate value. It will improve the assessment system on economic value added and make it part of the Company's business assessment on its subsidiaries at all levels. Coupled with the establishment of a comprehensive performance evaluation system for all personnel, it aims to enhance the effect of assessment on improving corporate development and boosting its value creation capabilities.

Fifth, it will optimize corporate governance by standardizing the Company's operation. More stringent measures will be put in place on the regulations and efficient operation of the Board and the feedback mechanism will be improved in terms of the follow-up and implementation of resolutions of the Board. An individual accountability system will be brought forward to put Directors' review and decision-making under scrutiny, together with a stronger communication and exchange mechanism among Directors and between the Board and the management, as well as a more refined corporate structure at subsidiary-level. Through these measures, it endeavors to promote a more standardized and efficient operation of the Board.

Sixth, it will address key issues in management and operation of the Company to better control risks. In particular, it will push forward the establishment of a risk management system in all directions at corporate level so as to build up a complete and comprehensive risk management system. It will set up an accountability system based on "accountability for those who make the decisions", "accountability for those who construct" and "accountability for those who manage", whilst directing its main focus on financial risks, high-risk investment projects and tightening its control over capital risks. It will adopt effective measures to cope with historical problems and put additional effort to resolve the issue of intra-competition.

Seventh, it will best serve its role in building up a senior management team.

SUPERVISORY COMMITTEE

During the Reporting Period, the Company's Supervisory Committee comprised 3 members, namely Mr. Han Changlin, the chairman of the Supervisory Committee, Mr. Peng Haiqing, the Supervisor, and Mr. Shao Jinhui, the employee representative Supervisor. The term of office of the Supervisors shall be three years, and is renewable upon re-election. The Supervisory Committee is accountable to shareholders at general meetings. In the spirit of being accountable to all the Shareholders, the Supervisory Committee is mainly responsible for monitoring the Company's finance and the performance of duties by Directors, President and other Senior Management of the Company to ensure their compliance with relevant laws and regulations, which in turn safeguards the statutory rights and interests of the Company and the Shareholders.

During the Reporting Period, the Company's Supervisory Committee held 5 meetings, at which 13 proposals were considered.

The attendance of meetings by each Supervisor are as follows:

Name of Supervisor	Number of attendance required for the Supervisor	Number of meetings attended in person
Han Changlin	5	5
Peng Haiqing	5	5
Shao Jinhui	5	5

During the Reporting Period, the Supervisory Committee of the Company reviewed the financial statement which was disclosed on a regular basis by MCC, studied the final account report and profit distribution reports for 2009 and supervised the management and utilisation of relevant raised proceeds.

Since Mr. Shao Jinhui, the employee representative Supervisor, has reached the statutory retirement age, the Company held the employee representative congress on 18 January 2011, at which the resignation of Mr. Shao Jinhui as the employee representative Supervisor of the first session of the Supervisory Committee of the Company was approved and Mr. Shao Bo was elected as the new employee representative Supervisor of the first session of the Supervisory Committee of the Company.

MODEL CODE FOR SECURITIES DEALINGS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as the codes governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had complied with the required standard provisions and requirements provided by the above code during the Reporting Period.

INTERNAL CONTROL

1. Plan for the establishment of internal control

The Company will fully put into practice the Implementation Guidelines for Enterprise Internal Control ("企業內部控制配套指引") on the basis of the existing internal control system, whilst duly analyzing the economic environment, market conditions as well as the development of its own strengths. With a view to risk recognition and risk aversion, the Company will combines features of its own business in improving and optimizing its internal control system at appropriate times according to the managerial needs. Meanwhile, the Company will refine the internal control system in respect of assessment and evaluation, step up the management standard of the information technology applied on internal control, so as to foster a sound internal control environment and standardized control measures.

2. Work plan for the establishment of a sound internal control system and its implementation

The Company will advocate the Basic Standard for Enterprise Internal Control ("企業內部控制基本規範"), the Implementation Guidelines for Enterprise Internal Control ("企業內部控制配套指引") and facilitate the promotion, training and implementation of all management regulations of the Company to enhance the inspection and supervision over the implementation of the internal control system.

3. Establishment of inspection and supervision department for internal control of the Company

The Company has set up a risk management committee under the Board, which is responsible for reviewing the internal controls of the Company and overseeing the effectiveness and self-evaluation of its internal control, whilst coordinating the review of internal control and other relevant matters. The audit department of the Company is in charge of supervising and inspecting the implementation of the internal control.

4. Implementation of self-assessment on internal supervision and internal control

During the internal audit process, the audit department of the Company incorporated inspection on the internal control into its work. In 2010, the Company carried out an internal inspection on its financial and capital management, stepped up its supervision and inspection of the execution of internal management system, and conducted examination on the establishment of a self-assessment system of internal control.

5. Work arrangement for internal control by the Board

In 2011, the Company will fully carry out the provisions under the Implementation Guidelines for Enterprise Internal Control ("企業內部控制配套指引") issued by the five government ministries and committees including the ministry of Finance and the CSRC. An all-round promotion, study and implementation of the Implementation Guidelines for Enterprise Internal Control ("企業內部控制配套指引") in the Company will be initiated by the Board in 2011, so as to further optimize and complete the internal control system, and push forward continuous enhancement of its management standard.

6. Improvement of internal control system relating to financial accounting

The Company has executed a series of rules covering financial management and accounting that have been formulated and implemented, including Accounting System for Enterprises, Establishment and Explanation on Use of Accounting Items, Overall Budget Management Rules, Construction Contract Management Rules, Fixed Assets Management Rules, Management Rules for Internal Transactions and Account Reconciliation, Management Rules for Closure of Account Sets of Financial Statements, Management Rules for Auditing and Analyzing of Financial Statements in order to safeguard the truthfulness, accuracy and completeness of the Company's financial reports as well as its assets.

7. Defects of internal control and rectification

No material defect of internal control was found in its design and implementation during the Reporting Period.

In accordance with Code C.2.1 of the Corporate Governance Code, the Directors also reviewed the effectiveness of the internal control system of the Company during the Reporting Period, covering matters such as financial control, operation control, compliance control and risk management function control.

ACCOUNTABILITY OF THE DIRECTORS IN RELATION TO FINANCIAL REPORTS

The Directors are responsible for the preparation of financial statements. In preparing the financial statements for the year ended 31 December 2010, the Directors selected and applied appropriate accounting policies and made prudent and reasonable judgment and estimates, so as to give a true and fair view of the state of affairs of the Company and of the results and cash flow for such financial year.

The statement of the auditors of the Company concerning their reporting responsibilities is set out in the Independent Auditor's Report on page 127 of this annual report.

AUDITOR'S REMUNERATION

The Company appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as its international and domestic auditors respectively. For the year ended 31 December 2010, the Company totally paid an aggregate of RMB33.20 million to PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as annual audit fees for auditing the financial statements of the company.

INFORMATION DISCLOSURE

Set up by the Secretariat of the Board and led by the Secretary to the Board, the information disclosure office is responsible for the implementation of the Company's information disclosure. During the Reporting Period, the Company had organized and completed the work of information disclosure in strict compliance with relevant requirements of CSRC, the Shanghai Stock Exchange and Hong Kong Stock Exchange. Pursuant to the principle of concurrent disclosure by companies listed across the border and by means of statutory channels such as designated newspapers and websites, the Company had made all statutory disclosures in a truthful, accurate, complete, timely and fair manner.

(1) The Company's information disclosure system has been further improved and refined as the Management System for Insider Information of MCC (《中國中冶內幕信息管理制度》), the Inquiry System for Material Mistakes in Information Disclosure of Annual Report of China MCC (《中國中冶年報信息披露重大差錯責任追究制度》), the Annual Report Work Manual for Finance and Audit Committee of the Board of Directors of China MCC (《中國中冶董事會財務與審計委員會年報工作制度》) and the Annual Report Work Manual for Independent Directors of MCC (《中國中冶獨立董事年報工作制度》) were formulated. The Company also updated the information reporting manual at the operation level in line with the adjustment of the supervision rules and changes of the Company's actual situation, so as to lay a solid foundation for carrying out information disclosure activities;

(2) the Company has further improved the internal circulation system of information monitoring, reporting, collecting and disclosure by enhancing the team building and standardized operation of secretaries of the board of its subsidiaries. By taking into account practical operation problems, the Company has further specified the supervision requirements, ascertained the responsibility of information disclosure and promoted information collection and disclosure activities in an orderly manner by means of video conferencing for subsidiaries and meetings with various departments of the headquarters as well as intensified internal communication and training;

(3) according to relevant requirements of CSRC, the Company has achieved good results in prevention of insider trading by improving the management of insider information, the insider registration system, the filing work of outsider information users and the security work of insider information;

(4) to make the capital market and investors fully and consistently aware of the Company's information, the Company has further explored and promoted effective and voluntary information disclosure. In strict compliance with relevant regulations, the Company has closely followed up the disclosed matters and summarized related information into the periodic reports apart from the temporary announcements regarding material changes. As for material contractual matters that are not subject to requirements for disclosure, the Company has made voluntary disclosure to the market by means of announcements, which further enhanced the Company's transparency and built an image of honesty and accountability for the Company.

INVESTOR RELATIONS

In September 2009, the A and H shares of the Company were successfully listed on the stock markets in Shanghai and Hong Kong respectively. The Company entered the international capital markets with a brand new image, attracting extensive attention from investors of capital markets worldwide. However, as a newcomer to the stock market, it will take time for the Company, with its businesses still in a stage of transition, to be fully known by the capital markets. Against this backdrop, the Company has placed great emphasis on investor relations by dealing with it actively and adopting a down-to-earth attitude and adverted to the principle of being responsible for its investors. In addition to standardizing the information disclosure system, the Company, with the guidance and proactive involvement of the senior management, expanded the communication channels, made improvements in communication methods, strengthened the collection, analysis, research of and feedback on information which investors were interested in, dealt with all relations in the capital markets in an appropriate manner with investor relations as a main focus, gradually advanced the work on investor relations to make it an ongoing strategic management mechanism, and strove to create a public image of a responsible listed company. During the year of 2010, the Company organized 57 large scale investor relation promotion events in the capital markets, received and paid 217 visits, attended 11 institutional strategic conferences, received visits from or paid visits to investors, analysts, financial media, etc by over 1,400 people. The Company's efforts made in investor relations were generally recognized by investors and analysts, and was awarded several awards from third party agencies, laying a good foundation for the Company to effectively reduce operation costs in capital markets and to enhance its public image. We believe that with the growth of the Company's results and the considerable progress achieved in the investor relations work, the Company shall be able to to present stable and good returns to our investors.

(1) Broadened Communication Channels

After its listing, the Company opened up new channels for investors in the capital markets, such as a special column of Investor Relations on the Company's website (http://www.mccchina.com), investor hotline (+86-10-5986-8666), fax (+86-10-5986-8999), email (ir@mccchina.com), making it convenient for investor to make enquiries . In 2010, the Company further discussed the possibilities of providing faster and more convenient communication channels for investors via mobile phones, micro-blog and third party interactive platforms.

(2) Innovated Communication Methods

After its listing, the Company initiated communication with investors in the capital markets by way of one-on-one meetings, one-on-many meetings, luncheons, road shows, online road shows, reverse road show, news conference and media interviews. In addition, the Company continuously created new communication methods for investors to learn more about the Company. In early March 2010, the Company organized a gathering for the representatives of the Company's Shareholders and the representatives from the analysts and financial media interested in the Company. In mid-March 2010, the Company held its first extraordinary general meeting since its listing, making further contact with domestic and overseas investors. In April and May 2010, the Company conducted the 2009 global road show, making in-depth communication with 257 investors from America, Europe, Hong Kong, Singapore and Mainland China, and innovatively held an online results release conference on the portal website Sohu. In June 2010 the Company convened the first annual general meeting and A and H Shareholders Class Meetings since its listing, at which in addition to considering proposals, the Company had extensive communication with domestic and overseas shareholders. In August, the Company organized the 2010 Interim Results Road Show where the Company had in-depth communication with investors from Hong Kong and the Mainland in respect of the 2010 interim results. In November 2010, the Company for the first time organized the reverse road show where domestic and overseas investors and analysts were invited to visit the Company's design institutes in Beijing and Chongqing, the commercial housing, welfare housing and urban and rural coordination projects in Tianjin, Tangshan and Qinhuangdao respectively in order to give investors a better understanding of the Company's value. In December 2010, the Company attended a number of strategic investment conferences organized by prestigious domestic and overseas securities firms, at which the Company had comprehensive communication with investors and found out their outlook for the next year.

(3) Enhanced Collection and Feedback of Information on Capital Market

Since its listing, the Company has always shared investors' concerns. On one hand, all the matters concerned by investors were carefully recorded, sorted, and analysed and given feedback through various forms of the communication, thus an internal data collection table setting out the issues widely concerned by investors has been gradually formed; on the other hand, we have put more efforts in the analysis of the Shareholders' register, research reports from analysts and reports from financial media as well as analysis, research and feedback on capital market. In 2010, the Company organized and prepared the relevant communication materials in relation to the 2009 annual results, the 2010 interim results and the 2010 third quarterly results in tandem, collected and organised the materials on reverse roadshow for 2010, and prepared communication materials such as the Xiaguan Binjiang Project (下關濱江項目) in Nanjing for capital market. The Company published special reports on a regular basis to analyse Shareholders' situation, research reports from analysts, dynamics on financial media and capital market, which has effectively shortened the distance between the Company and investors.

(4) Joined Hand to Foster Equity Market Environment

After its listing, the Company took the initiative to integrate itself into the capital market. Through communicating with investors in respect of business matters, we maintained our public relationship with participants in the capital market, especially with investors, which sets a foundation for our future capital market operations and company image upgrade, thus contributing to a good equity market environment. In 2010, we maintained public relationship with all parties in the capital market. In addition to the daily supervision of our securities, we further enhanced our communication with securities regulatory authorities relating to capital market operations. We actively participated in activities organized by the Listed Companies Association of Beijing and the Hong Kong Association of Secretary to the Board. By communicating with comparable listed companies on relevant issues and connecting through various daily businesses, we have kept admirable relationship with investors, analysts and the financial media.

In November 2010, in the 5th session of China Investor Relation Rewards campaign sponsored by Listed Companies Investor Relation Management Research Center of PRC, the Company won "Best Investor Relation Award for IPOs in 2009" with highest comprehensive scores, after a series of selection procedures such as telephone investigations of investor relation hot line, questionnaire surveys, material review, Shanghai Stock Exchange interview and expert appraisal. In December, our Secretary to the Board was awarded as "Golden Governance. Excellent Secretary to the Board of the Listed Company".

Significant Events

I. MATERIAL LITIGATION AND ARBITRATION

In June 2008, a subsidiary of the Company, MCC Mining (Western Australia) Pty Ltd ("MCC WA") agreed to purchase certain mining tenements in the Cape Lambert region of Western Australia from Cape Lambert Resources Limited and Mt Anketell Pty Ltd ("CFE"), pursuant to a Tenement and Related Asset Sale Agreement ("Sale Agreement") entered into between them. The mining tenements and related assets, and the rights and obligations of both parties under the Sale Agreement, were later transferred from MCC WA to MCC Australia Sanjin Mining Pty Ltd ("MCC Sanjin"), a subsidiary of MCC Australia Holding Pty Ltd which is another Australian subsidiary of the Company, pursuant to the Tenement and Related Asset Sale Agreement Novation Deed ("Novation Deed"). According to the Sale Agreement, CFE is entitled to be paid a final tranche of AUD$80 million only if CFE complies with its relevant obligations under the Sale Agreement.

On 8 September 2010, according to the announcement made to the Australian Securities Exchange by Cape Lambert Resources Limited, the Company failed to make the final payment of AUD80 million in accordance with the terms of a Novation Deed and it has commenced legal actions against the Company and MCC Sanjin.

MCC Sanjin is in the view that CFE has not met with its obligations under the Sale Agreement. The Company and MCC Sanjin filed a conditional appearance with the Supreme Court of Western Australia on 15 September 2010 and submitted a jurisdictional objection application on 29 September 2010. On 24 November 2010, the Supreme Court of Western Australia held an official hearing of the jurisdictional objection application and no judgment has been made at the court. As at the end of the Reporting Period, the Company has not received the court's notification as to when the proceedings will be adjudicated.

Save as the above litigations, the Company had no material litigation or arbitration which had material adverse effect on production and operations as at the end of the Reporting Period.

II. INSOLVENCY OR RESTRUCTURING RELATED MATTERS

During the year, the Company did not have any insolvency or restructuring related matters.

III. EQUITY INTERESTS IN OTHER LISTED COMPANIES AND INVESTEE FINANCIAL COMPANIES HELD BY THE COMPANY

1. Available-for-sale financial assets

(1) Equity interests in listed companies held by the Company

Name of investee	Initial Investment cost (RMB million)	2010 (RMB million)	As at 31 December 2009 (RMB million)
Bank of Communications	91	222	296
Nanjing Steel	2	11	20
Tianjin Reality Development	2	5	6
Ping An of China	0*	11	11
Tande CO., LTD.	1	1	1
Shenzhen Fountain Corporation	0*	1	2
Hebei Steel Co.Ltd	6	11	20
Haima Investment	0*	1	1
Chlor-alkali Chemical	1	1	1
China CAMC Engineering Co., Ltd.	0*	0	13
Fushun Special steel	4	3	37
Xining Special Steel	1	13	16
Panggang Steel & Vanadium	321	447	269
Shanghai AJ Corp	2	16	19
Chongqing Department	0*	20	19
Wuhan KaiDi Electric Power Co., Ltd.	3	106	80
Total	434	869	811

Note:* Less than RMB500,000.

(2) *Equity interests in non-listed financial companies held by the Company*

Name of investee	**Initial Investment cost** *(RMB million)*	**2010** ***(RMB million)***	**Shareholding percentage of the investee** *(%)*	As at 31 December 2009 *(RMB million)*
Baosteel Group Finance Company Limited	10	**10**	2.20	10
Changcheng Life Insurance Co., Ltd (長城人壽保險股份公司)	30	**30**	2.13	30
Huludao Commercial Bank Co., Ltd. (葫蘆島商業銀行股份有限公司)	44	**44**	11.40	29
Nanjing Bank of Communications (南京交通銀行)	1	**1**	1.00	1
Pansteel Group Financial Company (攀鋼集團財務公司)	4	**4**	0.26	4
Shenyin & Wanguo Securities Co. Ltd.	2	**2**	0.02	2
Wusteel Group Financial Company (武鋼集團財務公司)	2	**2**	0.20	2
Wuhan Hankou Bank (武漢市漢口銀行)	28	**28**	1.34	28
Jinzhou Commercial Bank Co., Ltd. (錦州市商業銀行股份有限公司)	30	**31**	5.00	30
Total	151	**152**		136

Note:* Less than RMB500,000.

IV. TRANSACTIONS OF ASSETS

(1) Acquisition of Assets

Unit: RMB0'000

Counter parties or ultimate controlling party	Assets acquired	Date of acquisition	Price of assets acquired	Contribution to the net profit of the listed company from the date of acquisition to the end of the year	Contribution to the net profit of the listed company from the beginning of the year to the end of the year (applicable to the merger of enterprises under common control)	Whether all the property rights of concerning assets are transferred to the other party	Whether all the claims and liabilities of concerning assets are transferred to the related party
Tangshan Iron and Steel Co., Ltd. (唐山鋼鐵股份有限公司*)	6.25% equity interests in MCC Jingtang Construction Corporation Limited (中冶京唐建設有限公司)	2010/1/15	7,907.18			Yes	Yes
Pangang Metallurgical Engineering Technology Co., Ltd. (攀鋼冶金工程技術有限公司), Chongqing Iron and Steel Design Institute Co., Ltd. (重慶鋼鐵設計院有限公司) and Sichuan Huazhi Property Development Co., Ltd. (四川華芝房地產開發有限公司)	4.2%, 2.5% and 0.8% equity interests in MCC Shijiu Construction Co., Ltd. (中冶實久建設有限公司) held by Pangang Metallurgical Engineering Technology Co., Ltd. (攀鋼冶金工程技術有限公司), Chongqing Iron and Steel Design Institute Co., Ltd. (重慶鋼鐵設計院有限公司) and Sichuan Huazhi Property Development Co., Ltd. (四川華芝房地產開發有限公司) respectively	2010/2/22	1,685.68			Yes	Yes
Handan Qingguo Construction Engineering Co., Ltd. (邯鄲市慶國建設工程有限公司)	2.13% equity interests in MCC Huaye Resources Development Co., Ltd.	2010/4/15	652.96			Yes	Yes
Wuhan Huarui Environmental Protection Technology Co., Ltd. (武漢華瑞環保技術有限公司)	1.77% equity interests in CCTEC Engineering Co., Ltd.	2010/10/29	400.80			Yes	Yes
Beijing Tianfu Investment Management Co., Ltd. (北京天富投資管理有限公司)	2.7% equity interests in MCC Chenggong Construction Co., Ltd.	2010/6/1	1,559.75			Yes	Yes
Shenyang Yingdi Trading Co., Ltd. (瀋陽英迪商貿有限公司)	20% equity interests in Shen Kan Engineering & Technology Corporation, MCC	2010/12/31	979.14			Yes	Yes

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

(2) Disposal of assets

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

V. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1. Trusteeship, contracting and leasing arrangement which contributed over 10% (inclusive of 10%) to the total profit of the Company during the Reporting Period were as follows

(1) Trusteeship

The Company did not enter into any significant trusteeship during the Reporting Period.

(2) Contracting

The Company did not enter into any significant contracting during the Reporting Period.

(3) Leasing arrangement

The Company did not enter into any significant leasing arrangement during the Reporting Period.

2. Guarantee

Unit: RMB'000

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

Guarantor	Relationship between guarantor and the listed company	Guaranteed party	Guaranteed amount	Date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Whether fully fulfilled	Whether overdue	Overdue amount	Whether any counter guarantee available	Whether guarantee for a related party	Related party relationship
MCC Capital Engineering & Research Incorporation Limited	Controlled subsidiary	MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	100,000	7 December 2010	14 December 2010	14 December 2011	Under joint and several liabilities	No	No		No	Yes	Associate
China Huaye Group Co., Ltd.	Wholly-owned Subsidiaries	Handan Iron and Steel Group Co., LTD	28,761	19 December 2003	19 December 2003	19 December 2015	Under joint and several liabilities	No	No		No	No	
China 22 MCC Group Co., Ltd.	Wholly-owned Subsidiaries	Xi'an Sanjiao Aviation Technology Co., Ltd.	125,000	9 September 2008	9 September 2008	31 December 2014	Under joint and several liabilities	No	No		No	No	
China 22 MCC Group Co., Ltd.	Wholly-owned Subsidiaries	Hebei Steel Luan County Sijiaying Iron Ore Co., Ltd.	60,000	10 October 2007	10 October 2007	30 August 2014	Under joint and several liabilities	No	No		No	Yes	Investee shareholder
China 22 MCC Group Co., Ltd.	Wholly-owned Subsidiaries	Hebei Steel Luan County Sijiaying Iron Ore Co., Ltd.	20,580	7 September 2007	7 September 2007	6 September 2012	Under joint and several liabilities	No	No		No	Yes	Investee shareholder
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Jinzhou Jincheng Papermaking Co., Ltd.	30,000	19 November 2003	19 November 2003	17 August 2004	Under joint and several liabilities	No	Yes	30,000	No	No	
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Kezhou Mineral Resources Development Co., Ltd.	24,000	17 January 2007	17 January 2007	16 January 2011	Under joint and several liabilities	No	No		No	No	

Total amount of guarantee occurred during the Reporting Period (excluding guarantee to subsidiaries)	100,000
Total amount of outstanding guarantee as at the end of the Reporting Period (A) (excluding guarantee to controlled subsidiaries)	388,341
Guarantee provided by the Company to its controlled subsidiaries	
Total amount of guarantee occurred by the Company to its subsidiaries during the Reporting Period	8,531,676
Balance of guarantee provided by the Company to its subsidiaries at the end of the Reporting Period (B)	20,292,187
Total guarantee provided by the Company (including guarantee to controlled subsidiaries)	
Total amount of guarantee (A+B)	20,680,528
Total amount of guarantee as a percentage of the Company's net assets (%)	38.65
Including:	
Amount of guarantee provided to shareholders, the de facto controller and its related parties (C)	100,000
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70% (D)	17,757,706
The excess of total amount of guarantee over 50% of the net assets (E)	0
Total amount of above 3 guarantees (C+D+E)	17,857,706

3. Entrusted Asset Management

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

4. Other Material Contracts

Material contracts of domestic projects are set out in the following table:

Number	Date of contract	Name of project	Contractual amounts *RMB in million*	Parties	Term *(month)*
1	January 2010	General contracting of Pansteel's phase VI steel making construction by consolidated use of titanomagnetite in Xichang (攀鋼西昌釩鈦資源綜合利用項目煉鋼工程VI標段總承包)	1,255	CISDI Engineering Co., Ltd. (中冶賽迪工程技術股份有限公司)	20
2	January 2010	Contract of the bid of Pansteel's phase V iron making construction by consolidated use of titanomagnetite in Xichang (攀鋼西昌釩鈦資源綜合利用項目煉鐵工程V標段合同)	1,340	CISDI Engineering Co., Ltd. (中冶賽迪工程技術股份有限公司)	22
3	January 2010	Project of Zhuhai Zhuhua Building (珠海珠華大廈工程)	3,000	China 22 MCC Group Co., Ltd. (中國二十二冶集團有限公司)	40
4	January 2010	Transformation work of old B Section in Qianshan, Zhuhai (珠海前山B區舊村改造工程)	2,100	China 22 MCC Group Co., Ltd. (中國二十二冶集團有限公司)	26
5	January 2010	General construction contracting project of copper smelting with a capacity of 100,000 tons per year of Yunnan Tin Company Limited (雲南錫業股份有限公司10萬噸／年銅冶煉項目總承包工程)	1,178	China Enfi Engineering Co., Ltd. (中國有色工程有限公司)	16
6	March 2010	The integration, reorganization, renovation and upgrade project of Tangshan Bohai Iron and Steel Co., Ltd. (唐山渤海鋼鐵有限公司整合重組改造升級工程) and contract for construction and installation of continuous casting system for steelmaking (煉鋼連鑄系統建築安裝承包合同)	1,173	MCC Capital Engineering & Research Incorporation Limited (中冶京誠工程技術有限公司)	26
7	April 2010	Equipment supply for Phase 2 of the project of reducing energy consumption and emission, equivalent replacement and overhaul for blast furnace of Benxi-Beiying Iron & Steel (Group) Co., Ltd. (本溪北營鋼鐵(集團)股份有限公司高爐降耗減排、等量置換大修二期工程設備供貨)	1,129	MCC Capital Engineering & Research Incorporation Limited. (中冶京誠工程技術有限公司)	72
8	April 2010	Dadaowan Social Welfare Housing Project in Anshan City (鞍山市達道灣保障性住房)	15,000	China MCC 3 Group Co., Ltd. (中國三冶集團有限公司)	60
9	April 2010	BT project of Yunlong (Hongnan) Avenue engineering construction of Yunlong Model Area in Zhuzhou City (株洲雲龍示範區雲龍(紅楠)大道工程建設BT項目)	1,460	Zhong Ye Chang Tian International Engineering Co., Ltd. (中冶長天國際工程有限責任公司)	18

Number	Date of contract	Name of project	Contractual amounts *RMB in million*	Parties	Term *(month)*
10	May 2010	Exemplary city in Jinzhong Street, Dongli District, Tianjin (天津東麗區金鐘街示範小城)	1,500	China First Metallurgical Construction Corporation (中國第一冶金建設有限責任公司)	24
11	May 2010	Tianjin wind power industrial park construction (BT) contract (天津風電產業園建設工程(BT)合同)	2,114	MCC Tiangong Construction Corporation Limited (中冶天工建設有限公司)	Depending on the progress
12	June 2010	BT construction contract for Project Phase 1 Convention and Business Complex of Shizimen CBD of Zhuhai (珠海十字門中央商務區會展商務組團一期項目BT建設合同)	4,000	Shanghai Baoye Group Corp., Ltd. (上海寶冶集團有限公司)	42
13	July 2010	Construction project of Kangzhuang Meidi public rental housing (康莊美地公共租賃住房建設工程)	2,300	China Metallurgical Construction Co., Ltd. (中冶建工有限公司)	18
14	July 2010	The eastward extension and integrated renovation of Cixi second ring north-Relocation Housing (Phase 2) Project (慈溪北二環東延綜合改造一拆遷安置房(二期)工程)	1,400	Shanghai Baoye Group Corp., Ltd. (上海寶冶集團有限公司)	30
15	July 2010	Project (project construction) for relocation housing of the development area of Dangtu County, Ma'anshan (安徽馬鞍山當塗縣開發區安置房項目(工程施工))	1,710	China MCC 17 Group Co., Ltd. (中國十七冶集團有限公司)	24
16	July 2010	Jinfu Garden (Phase 3 and 4 of Yanghu) of Ma'anshan City, Anhui Province (安徽馬鞍山金福花園(陽湖三期、四期))	1,366	China MCC 17 Group Co., Ltd. (中國十七冶集團有限公司)	24
17	July 2010	Coking plant Phase 4 of Anshan Steel Company (鞍山鋼鐵公司四期焦化廠)	1,390	ACRE Coking & Refractory Engineering Consulting Corporation, MCC (中冶焦耐工程技術有限公司)	16
18	August 2010	Bayilu Extension Line of Wuhan City (武漢市八一路延長線)	1,250	Engineering & Research Incorporation Limited (中冶南方工程技術有限公司)	17
19	October 2010	Majiatun renovation project (馬家屯改造項目)	1,000	China 22 MCC Group Co., Ltd. (中國二十二冶集團有限公司)	Depending on the progress
20	November 2010	New county town relocation and construction project of Pingshan County of Yibin City and general contracting of section A of construction project of resettlement and diversion area of county new town (宜賓市屏山縣新縣城遷建項目及縣城新市安置分流區建設項目施工總承包A標段)	1,500	China MCC 5 Group Co., Ltd. (中國五冶集團有限公司)	12
21	November 2010	Baise-Jingxi Expressway in Guangxi (廣西百色至靖西高速公路)	5,760	MCC Capital Engineering & Research Incorporation Limited (中冶京誠工程技術有限公司)	33

Material contracts of overseas projects are set out below:

Number	Date of contract	Name of project	Contractual amounts *RMB in million*	Parties	Term *(month)*
1	January 2010	Australia's Coal (China First) EPCM Contract (澳煤(China First)項目EPCM合同)	4,781	MCC Overseas Ltd. (中冶海外工程有限公司)	55
2	May 2010	Supplementary agreement 2 of SINO iron ore mine construction project in Western Australia (西澳大利亞SINO鐵礦項目補充協議2)	5,595	MCC Mining (Western Australia) Pty Ltd.	According to schedule
3	July 2010	Venezuela project with an annual pellet output of 3 million tons (supplementary) (委內瑞拉年產300萬噸球團項目(補))	2,981	MCC International Incorporation Ltd. (中冶國際工程技術有限公司)	26
4	October 2010	Project of JABER AL AHMED CITY, N2 of Kuwait (科威特加伯•阿爾•阿麥德小區•爾黑爾-N2區項目)	3,781	China First Metallurgical Group Co., Ltd. (中國一冶集團有限公司)	38

VI. PERFORMANCE STATUS OF THE UNDERTAKINGS

1. The undertakings made by the Parent, the controlling shareholder in the A Share Prospectus of the Company were as follows:

(1) Undertaking for share lock-up: within thirty-six months from the date of listing of the Company's A Shares, no shares issued before the initial public offering of the Company, whether directly and indirectly held by it, shall be transferred or entrusted to others for management or repurchased by the Company.

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

(2) Undertaking for disposal of equity interest in MCC Hengtong: within twenty-four months from the date of the initial public offering of the Company's domestic shares on the Shanghai Stock Exchange, respectively, MCC Hengtong Cold Rolling Technology Co., Ltd. ("MCC Hengtong") shall be disposed, upon completion of initial public offering by way of, inter alia, transfer of equity interest in MCC Hengtong Cold Rolling Technology Co., Ltd..

Upon the listing of the Company, having ensured that MCC Hengtong did not engage in or participate in businesses that compete with the Company, the Parent has actively commenced the disposal of equity interest of MCC Hengtong. In February 2010, the Parent formed preliminary consensus with China National Travel Service (HK) Group Corporation (hereafter as "China CTS (HK)") ("港中旅集團") in respect of the asset reorganization of MCC Hengtong. Subsequently, a series of tasks had been kick-started, including the finalization of the reorganization proposal. On 25 August 2010, the Parent and China CTS (HK) entered into the "Cooperation Agreement" and "Entrusted Operation Agreement" ("經營託管協議"), pursuant to which MCC Hengtong was to be entrusted to China CTS (HK) with effect from 1 October 2010. At the end of December 2010, upon the request of China CTS (HK), the Parent and China CTS (HK) terminated the "Cooperation Agreement" and the "Entrusted Operation Agreement" ("經營託管協議") upon negotiation. At present, the Parent continues to carry out the relevant tasks in respect of the disposal matters of MCC Hengtong.

(3) Non-competition Undertaking

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

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

Baosteel Group Corporation had fully complied with the aforesaid undertakings during the Reporting Period. On 21 September 2010, the above lock-up period undertaken by Baosteel Group Corporation expired and the aggregate 127,391,500 shares of the Company subject to selling restrictions, including those held by Baosteel Group Corporation and those transferred by Baosteel Group Corporation to the National Council for Social Security Fund of the PRC were released for listing and circulation.

3. **Undertakings regarding housing property rights and land use rights**

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

As at the end of the Reporting Period, among the aforementioned 324 buildings for which building ownership certificates were outstanding, 70 buildings with a gross area of 250,484.97 sq.m. have been granted building ownership certificates, whereas confirmations of ownership for other buildings are still in progress.

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

As at the end of the Reporting Period, among the above 26 parcels of land for which State-owned Land Use Rights Certificates were subject to renewal, 13 parcels of land had their certificates renewed as Stated-owned Land Use Rights Certificates in capital-injection nature while 1 parcel was recovered by the local government with compensation. The renewal of certificates of the remaining 12 parcels of land is in progress. On the other hand, of the above 15 parcels for which transfer procedures had not been completed, 4 parcels with a total area of 635,524.8 sq.m. had undergone transfer procedures and had been granted State-owned Land Use Rights Certificates. The remaining 11 parcels of land are still undergoing relevant procedures.

Though the procedures involved in confirming the ownership of the aforementioned buildings and land use rights are subject to external conditions to a large extent, the Company and the Parent (中冶集團) will actively proceed with its applications for relevant ownership certificates with the best endeavor.

VII. THE PENALTIES AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON

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

VIII. EXPLANATION ON OTHER SIGNIFICANT EVENTS

1. As disclosed by the Company in the provisional announcement dated 29 October 2009 regarding the newly signed material project agreement, the Company had entered into the Master Agreement of Specific Investment and Construction of Municipal Infrastructure (BT) Project in Hengqin District, Zhuhai City (「珠海市橫琴區市政基礎設施(BT)項目投資建設總體協議」) with Zhuhai Dahengqin Investment Co., Ltd (珠海大橫琴投資有限公司). The total investment amount of the project was estimated at RMB12,600 million. During the Reporting Period, the Company had entered into the Repurchase Contract of Specific Investment and Construction of Municipal Infrastructure (BT) Project in Hengqin New Area, Zhuhai City (「珠海市橫琴新區市政基礎設施(BT)項目投資建設回購合同」) with Zhuhai Dahengqin Investment Co., Ltd (珠海大橫琴投資有限公司). Zhuhai MCC Infrastructure Development and Investment Co., Ltd. (珠海中冶基礎設施建設投資有限公司), the company carrying out such BT Project, officially entered into a syndicate loan agreement, with a value of RMB9.45 billion, with four financial institutions, including Bank of China, Bank of Communication, Export-Import Bank of China and MCC Group Finance Company (中冶集團財務公司). Currently, the construction of this project has commenced as scheduled.

2. As disclosed by the Company in the provisional announcement dated 22 December 2009 regarding the newly signed cooperative agreements for material projects by MCC's subsidiaries, China MCC 17 Construction Co., Ltd. (currently known as China MCC 17 Group Co., Ltd., "MCC 17") and Huatian Engineering & Technology Corporation, MCC ("MCC Huatian"), which are non-wholly owned subsidiaries of the Company, entered into the cooperative agreements with relevant counties and cities in Anhui Province on the Cooperation and Development Conference between Anhui Province and the Central Enterprises (安徽省與中央企業合作發展會議), respectively. As at the end of the Reporting Period, the progress of such agreements is as follows:

(1) As for the Cooperative Agreement for Maanshan Affordable Residence Construction Project (「馬鞍山保障性住房建設項目合作協議」) (investment amount estimated to be RMB13,150 million) entered into between MCC 17 and Maanshan City Construction Committee (馬鞍山市建設委員會), and as at the end of the Reporting Period, the structures of the settlement residence project in Jinjiazhuang District (Phase I) (金家莊區安置房項目一期) had all been completed and the entire construction is expected to complete by the mid of 2011, while the construction of Phase II has commenced and the construction agreement of Phase III is under negotiation. The main structures of the settlement residence project in Yushan District (Phase I) (雨山區安置房項目一期) is under construction, while the construction of Phase II is under preliminary planning and the construction agreement of Phase III is under negotiation. The construction of the settlement residence project in Huashan District (Phase I) (花山區安置房項目一期) has commenced and the construction agreement of Phase II is under negotiation. The construction of Five-Star Jiayuan District (Phase I) (五星佳苑小區一期) under the settlement residence project in Dangtu County (當塗縣安置房) has commenced, while Yintang Group (銀塘組團) of Maanshan Economic Development Zone (馬鞍山經濟開發區) has established a project company in respect of the settlement residence project and is conducting survey, design and other preliminary works.

(2) As at the end of the Reporting Period, a franchise agreement relating to the BOT project of Chuzhou City Qingliu Sewage Treatment Plant (Phase II) (滁州清流污水處理廠二期工程BOT項目) in an amount of RMB47.4874 million, which was entered into pursuant to the Cooperative Agreement for the Centralised Urban Sewage Treatment Project of Chuzhou City (「滁州市城鎮污水集中處理項目合作協議」) entered into between MCC Huatian and Chuzhou City Construction Committee (滁州市建設委員會), had been fully performed. Phase II has been put into operation upon completion of the construction.

(3) As at the end of the Reporting Period, a RMB58.22 million franchise agreement relating to the BOT project of Southern Sewage Treatment Plant (南部污水處理廠工程BOT項目) was entered into pursuant to the Framework Cooperative Agreement for the Sewage Treatment Project of Maanshan Economic and Technological Development Zone (《馬鞍山經濟技術開發區污水處理工程項目框架合作協議》) entered into between MCC Huatian and the Administration Committee of Maanshan Economic and Technological Development Zone（馬鞍山市經濟技術開發區管理委員會）and the design work of the construction was completed.

3. As disclosed by the Company in the announcement of the resolutions of the Board dated 12 January 2010 and the announcement of external investments dated 3 February 2010, the Company acquired shares in RESOURCEHOUSE LIMITED ("RESOURCEHOUSE"), the parent of China First Pty Ltd., for a consideration of US$200 million. Meanwhile, the Company secured the right of the EPC management of the China First coal project in Australia and the right to receive a 4% fixed commission fee from the coal sales with an annual capacity of 30 million tons. A four-party cooperation agreement in relation to the China First coal project was entered into between the Company, RESOURCEHOUSE, China Power International Holding Limited (中國電力國際有限公司) and the Export-Import Bank of China on 21 June 2010. Afterwards, the right to receive the relevant fixed commission fee dropped from 4% for a coal sale amount of 30.00 million tons per year to 2% for a coal sale amount of 20.00 million tons per year as a result of the postponement of listing of RESOURCEHOUSE in Hong Kong, the changes in policy, market and other factors, the adjustments to relevant external investments and the changes in the aggregate sales amount of secondary sub-contracts (二級子合同) (coal sales contracts) of this aggregate management contract. The Board agreed to invest RESOURCEHOUSE with US$200 million from H Share proceeds as a cornerstone investor upon consideration of a mix of factors and accepted the corresponding changes in the right to receive a fixed commission fee for the China First project (for details, please refer to the announcement on resolutions of the Board disclosed by the Company on 30 October 2010).

4. As disclosed in the provisional announcement dated 7 May 2010 regarding the newly signed material project agreement, China MCC 3 Group Co., Ltd. (中國三冶集團有限公司), a wholly owned subsidiary of the Company, entered into the BT Agreement for Construction of Dadaowan Social Welfare Housing Project in Anshan City (鞍山市達道灣保障性住房工程項目BT 模式建設協議) with Anshan Urban Construction Investment and Development Co., Ltd. (鞍山市城市建設投資發展有限公司). During the Reporting Period, the project construction contract was officially signed and various work of the construction has been actively pushed ahead. As at the end of the Reporting Period, this project involved seven pieces of land, three of which had officially commenced construction and two of which had been ready for commencement of construction.

5. As disclosed in the provisional announcement of the Company dated 16 August 2010, the Company's subsidiary MCC Qinhuangdao Urban-Rural Development Company Limited (中冶秦皇島城鄉發展有限公司) had received the charters of the first batch projects of new housing construction projects in Qinhuangdao, which involves a total of 33 new housing construction projects located in six county districts in Qinhuangdao and an estimated total amount of approximately RMB13,297 million. As at the end of the Reporting Period, MCC Qinhuangdao Urban-Rural Development Company Limited had received 5 additional new housing construction and ancillary facilities projects which, in aggregate, amounted to 38 projects of an aggregate amount of approximately RMB15,596 million. Of which, construction of 19 projects have commenced.

6. In the Announcement in Relation to the Acquisition of Land Use Rights Through Auctions by Subsidiaries (《關於下屬公司競拍取得土地使用權的公告》) released by the Company on 19 September 2010, it was announced that Nanjing Linjiang Old Town Renovation, Construction and Investment Co., Ltd. (南京臨江老城改造建設投資有限公司), of which 80% equity interest was held by MCC Real Estate Group Co., Ltd., a non-wholly owned subsidiary of the Company, won the bid of the land use rights of Land No. 1 and Land No. 3 at the west of Jiang Bian Road, Binjiang, Xiaguan District of Nanjing city at a consideration of RMB12,141 million and RMB7,893 million, respectively. As at the end of the Reporting Period, Nanjing Linjiang Old Town Renovation, Construction and Investment Co., Ltd. had entered into the Contract on Grant of Use Rights of State-Owned Land for Construction with Nanjing Municipal Land and Resources Bureau. The demolition work of the project has started and relevant preliminary works such as planning and tender have also commenced in an orderly manner.

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

On 29 June 2010, the Resolution Regarding the Registration and Issuance of Medium Term Notes of Metallurgical Corporation of China Ltd.*(「關於中國冶金科工股份有限公司註冊發行中期票據的議案」)and the Resolution Regarding the Registration and Issuance of Short-term Financing Bills of Metallurgical Corporation of China Ltd.*(「關於中國冶金科工股份有限公司註冊發行短期融資券的議案」)were considered and approved at the 2009 AGM held by the Company. It was resolved that the Company may issue medium term notes with a registered issue size of up to RMB14,900 million and short-term financing bills with a registered size of up to RMB14,400 million. During the Reporting Period, the said medium term notes and short-term financing bills had been registered with National Association of Financial Market Institutional Investors. Details of the issuance are as follows:

(1) on 17 September 2010, the second tranche of short-term financing bills for 2010, in an aggregate amount of RMB10 billion, were issued for a term of 365 days and an interest rate of 2.97%, which are repayable on maturity with a one-off interest payment. The proceeds raised were fully received on 20 September 2010;

(2) on 19 September 2010, the first tranche of medium term notes for 2010, in an aggregate amount of RMB10 billion, were issued for a term of 10 years and an interest rate of 3.95%; and if the Company does not exercise its redemption right at the end of the 5th year, the coupon rate of this tranche of medium term notes for the 6th, 7th, 8th, 9th and 10th years will be 114 BP (1.14%) higher than the interest rate of the issuance. The proceeds raised were fully received on 20 September 2010;

(3) on 11 November 2010, the Company issued the third tranche of short-term financing bills for 2010. An aggregate of RMB4,400 million of bills were issued for a term of 365 days at a par value of RMB100 each and an interest rate of 3.35%, which are repayable on maturity with a one-off interest payment. The proceeds raised were fully received on 15 November 2010;

(4) on 15 November 2010, the Company issued the second tranche of medium term notes for 2010. An aggregate of RMB4,700 million of notes were issued for a term of 5 years at a par value of RMB100 each and an interest rate of 4.72%. The proceeds raised were fully received on 17 November 2010.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

To the shareholders of
Metallurgical Corporation of China Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Metallurgical Corporation of China Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 129 to 254, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2010, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2011

	Note	As at 31 December 2010 RMB million	As at 31 December 2009 RMB million (See note 2.1)	As at 1 January 2009 RMB million (See note 2.1)
ASSETS				
Non-current assets				
Property, plant and equipment	6	**37,104**	30,257	22,066
Land use rights	7	**8,054**	7,737	7,161
Mining rights	8	**4,857**	3,675	3,516
Investment properties	9	**812**	810	837
Intangible assets	10	**6,473**	5,285	3,615
Investments in associates	12	**1,815**	1,155	929
Available-for-sale financial assets	14	**1,548**	1,464	1,050
Held-to-maturity financial assets	15	**—**	250	47
Deferred income tax assets	29	**2,161**	1,852	1,479
Trade and other receivables	16	**10,272**	3,288	1,734
Other non-current assets		**131**	107	93
		73,227	55,880	42,527
Current assets				
Inventories	19	**13,025**	11,549	11,700
Properties under development	19	**41,669**	20,364	17,402
Completed properties held for sale	19	**3,606**	2,556	367
Trade and other receivables	16	**84,390**	69,568	57,592
Amounts due from customers for contract work	18	**30,601**	25,582	16,913
Available-for-sale financial assets	14	**—**	27	12
Held-to-maturity financial assets	15	**250**	51	—
Financial assets at fair value through profit or loss	17	**—**	301	2
Restricted cash	20	**2,151**	1,223	2,271
Cash and cash equivalents	21	**39,302**	44,740	26,193
		214,994	175,961	132,452
Total assets		**288,221**	231,841	174,979

The notes on pages 139 to 254 are an integral part of these financial statements.

	Note	As at 31 December 2010 RMB million	As at 31 December 2009 RMB million (See note 2.1)	As at 1 January 2009 RMB million (See note 2.1)
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	22	19,110	19,110	13,000
Reserves	23	25,861	19,658	(8,951)
— Proposed dividend	39	898	—	—
— Other reserves		24,963	19,658	(8,951)
		44,971	38,768	4,049
Non-controlling interests		8,541	7,308	6,021
Total equity		53,512	46,076	10,070
LIABILITIES				
Non-current liabilities				
Borrowings	25	52,675	36,379	18,724
Deferred income	26	801	407	431
Retirement and other supplemental benefit obligations	27	5,612	5,941	6,265
Provisions for other liabilities and charges	28	55	59	24
Trade and other payables	24	855	6,186	218
Deferred income tax liabilities	29	545	632	621
		60,543	49,604	26,283
Current liabilities				
Trade and other payables	24	106,314	89,577	86,305
Dividends payable		—	—	256
Amounts due to customers for contract work	18	12,722	13,250	13,948
Current income tax liabilities		1,278	1,061	787
Borrowings	25	53,249	31,608	36,425
Retirement and other supplemental benefit obligations	27	603	665	905
		174,166	136,161	138,626
Total liabilities		234,709	185,765	164,909
Total equity and liabilities		288,221	231,841	174,979
Net current assets/(liabilities)		40,828	39,800	(6,174)
Total assets less current liabilities		114,055	95,680	36,353

On behalf of the board

Jing Tianliang
Director

Shen Heting
Director

The notes on pages 139 to 254 are an integral part of these financial statements.

	Note	As at 31 December 2010 RMB million	2009 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment		233	39
Intangible assets		7	8
Investments in subsidiaries	11	54,906	52,800
Trade and other receivables	16	15,820	2,399
Other non-current assets		1	2
		70,967	55,248
Current assets			
Inventories		2	2
Trade and other receivables	16	25,369	15,826
Amounts due from customers for contract work	18	14	12
Cash and cash equivalents	21	13,986	14,493
		39,371	30,333
Total assets		110,338	85,581
EQUITY			
Share capital	22	19,110	19,110
Reserves	23	34,700	32,242
Total equity		53,810	51,352
LIABILITIES			
Non-current liabilities			
Borrowings	25	21,331	14,725
Retirement and other supplemental benefit obligations		26	28
		21,357	14,753

The notes on pages 139 to 254 are an integral part of these financial statements.

	Note	As at 31 December 2010 RMB million	2009 RMB million
Current liabilities			
Trade and other payables	24	9,785	12,650
Dividends payable		—	—
Amounts due to customers for contract work	18	602	418
Borrowings	25	24,781	6,404
Retirement and other supplemental benefit obligations		3	4
		35,171	19,476
Total liabilities		56,528	34,229
Total equity and liabilities		110,338	85,581
Net current assets		4,200	10,857
Total assets less current liabilities		75,167	66,105

On behalf of the board

Jing Tianliang
Director

Shen Heting
Director

The notes on pages 139 to 254 are an integral part of these financial statements.

	Note	Year ended 31 December 2010 RMB million	2009 RMB million (See note 2.1)
Revenue	5	**206,397**	165,495
Cost of sales	32	**(185,635)**	(149,686)
Gross profit		**20,762**	15,809
Selling and marketing expenses	32	**(1,530)**	(1,043)
Administrative expenses	32	**(9,689)**	(7,202)
Other income	30	**1,112**	955
Other (losses)/gains - net	31	**(21)**	39
Other expenses		**(198)**	(140)
Operating profit		**10,436**	8,418
Finance income	34	**849**	806
Finance costs	34	**(2,876)**	(2,621)
Share of profits of associates	12	**134**	85
Profit before income tax		**8,543**	6,688
Income tax expense	36	**(2,972)**	(1,500)
Profit for the year		**5,571**	5,188
Attributable to:			
Equity holders of the Company		**5,321**	4,425
Non-controlling interests		**250**	763
		5,571	5,188
Earnings per share for profit attributable to the equity holders of the Company			
— Basic earnings per share *(RMB)*	38	**0.28**	0.30
— Diluted earnings per share *(RMB)*	38	**0.28**	0.30
Dividends	39	**898**	1,875

The notes on pages 139 to 254 are an integral part of these financial statements.

	Note	Year ended 31 December 2010 RMB million	2009 RMB million (See note 2.1)
Profit for the year		**5,571**	5,188
Other comprehensive (expense)/income			
Fair value (losses)/gains on available-for-sale financial assets, net of tax		**(4)**	236
Currency translation differences		**(70)**	(66)
Other comprehensive (expense)/income for the year, net of tax		**(74)**	170
Total comprehensive income for the year		**5,497**	5,358
Total comprehensive income attributable to			
Equity holders of the Company		**5,272**	4,593
Non-controlling interests		**225**	765
		5,497	5,358

The notes on pages 139 to 254 are an integral part of these financial statements.

(See note 2.1)	Note	Share capital RMB million	Other reserves RMB million	(Accumulated deficit)/ retained earnings RMB million	Sub total RMB million	Non-controlling interest RMB million	Total RMB million
		Attributable to equity holders of the Company					
At 1 January 2009 (As previously reported)		13,000	(10,972)	(33)	1,995	5,633	7,628
Adjustment for early adoption of amendment to IFRS 1	23(a)	—	1,997	28	2,025	328	2,353
Business combination under common control	23(a)	—	29	—	29	60	89
At 1 January 2009 (As restated)		13,000	(8,946)	(5)	4,049	6,021	10,070
Profit for the year		—	—	4,425	4,425	763	5,188
Other comprehensive income:							
Fair value gains on available-for-sale financial assets, net of tax		—	219	—	219	17	236
Currency translation differences		—	(51)	—	(51)	(15)	(66)
Total comprehensive income for the year		—	168	4,425	4,593	765	5,358
Transaction with owners							
Dividends	39	—	—	(1,875)	(1,875)	(566)	(2,441)
Transaction with non-controlling interests		—	(63)	—	(63)	(125)	(188)
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	853	853
Investments in subsidiaries reclassified as investments in associates		—	—	—	—	(16)	(16)
Issue of new shares	22	6,110	27,461	—	33,571	—	33,571
Shares issue costs		—	(1,482)	—	(1,482)	—	(1,482)
Additional capital injection from owners and non-controlling interest proportionally		—	—	—	—	376	376
Business combination under common control	23(a)	—	(31)	—	(31)	—	(31)
Appropriations		—	159	(159)	—	—	—
Others		—	6	—	6	—	6
Total transactions with owners		6,110	26,050	(2,034)	30,126	522	30,648
At 31 December 2009 (As restated)		19,110	17,272	2,386	38,768	7,308	46,076

The notes on pages 139 to 254 are an integral part of these financial statements.

(See note 2.1)	Note	Attributable to equity holders of the Company					
		Share capital	Other reserves	(Accumulated deficit)/ retained earnings	Sub total	Non-controlling interest	Total
		RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2010 (As previously reported)		19,110	15,367	2,392	36,869	6,823	43,692
Adjustment for early adoption of amendment to IFRS 1	23(a)	—	1,876	(9)	1,867	419	2,286
Business combination under common control	23(a)	—	29	3	32	66	98
At 1 January 2010 (As restated)		19,110	17,272	2,386	38,768	7,308	46,076
Profit for the year		—	—	5,321	5,321	250	5,571
Other comprehensive income:							
Fair value gains on available-for-sale financial assets, net of tax		—	7	—	7	(11)	(4)
Currency translation differences		—	(56)	—	(56)	(14)	(70)
Total comprehensive income for the year		—	(49)	5,321	5,272	225	5,497
Transaction with owners							
Dividends	39	—	—	—	—	(398)	(398)
Transaction with non-controlling interests		—	(23)	—	(23)	(82)	(105)
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	897	897
Liquidation/disposal of subsidiaries		—	—	—	—	(15)	(15)
Investments in subsidiaries reclassified as investments in associates		—	—	—	—	(23)	(23)
Additional capital injection from owners and non-controlling interest proportionally		—	—	—	—	635	635
Business combination under common control	23(a)	—	(39)	—	(39)	(6)	(45)
Appropriations		—	102	(102)	—	—	—
Others		—	(6)	—	(6)	—	(6)
Capital contribution	23(b)	—	999	—	999	—	999
Total transactions with owners		—	1,033	(102)	931	1,008	1,939
At 31 December 2010		19,110	18,256	7,605	44,971	8,541	53,512

The notes on pages 139 to 254 are an integral part of these financial statements.

	Note	Year ended 31 December 2010 RMB million	2009 RMB million (See note 2.1)
Cash flows from operating activities			
Cash used in operations	40	**(22,131)**	(5,161)
Income tax paid		**(2,990)**	(1,650)
Net cash used in operating activities		**(25,121)**	(6,811)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(9,166)**	(9,616)
Purchases of land use rights		**(445)**	(738)
Purchases of mining rights		**(294)**	(173)
Purchases of investment properties		**(2)**	(36)
Purchases of intangible assets		**(1,174)**	(1,766)
Purchases of available-for-sale financial assets		**(242)**	(287)
Purchases of held-to-maturity financial assets		**(538)**	(915)
Increase in investment in associates		**(258)**	(141)
Net cash (outflow)/inflow for acquisition of subsidiaries	41	**(25)**	46
Net cash outflow for business combination under common control		**(45)**	—
Prepayment for investments		**(1,099)**	(2,728)
Amounts received from/(paid to) related parties and third parties		**153**	(161)
Proceeds from disposal of property, plant and equipment		**154**	193
Proceeds from disposal of land use rights		**47**	53
Proceeds from disposal of investment properties		**4**	—
Proceeds from disposal of available-for-sale financial assets		**287**	80
Proceeds from held-to-maturity financial assets upon maturity date		**596**	662
Net cash inflow from disposal of investment in associates		**2**	—
Net cash (outflow)/inflow from liquidation of subsidiaries		**(25)**	22
Net cash inflow on disposal of subsidiaries	42	**57**	—
Net cash inflow of withdraw the prepayment for investments		**251**	—
Transactions with non-controlling interests		**(147)**	(277)
Dividends received		**80**	77
Net cash inflow from asset related government grants		**494**	—
Net cash used in investing activities		**(11,335)**	(15,705)

The notes on pages 139 to 254 are an integral part of these financial statements.

	Note	Year ended 31 December 2010 RMB million	2009 RMB million (See note 2.1)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	22	—	32,089
Proceeds from borrowings		114,339	92,768
Repayments of borrowings		(79,749)	(76,150)
Contribution received from non-controlling interests		1,266	1,075
Dividends paid		(320)	(5,609)
Interest paid		(4,434)	(4,127)
Capital contribution		999	—
Changes in restricted cash		(928)	1,048
Net cash inflow/(outflow) from finance leases		5	(50)
Net cash generated from financing activities		31,178	41,044
Net (decrease)/increase in cash and cash equivalents		(5,278)	18,528
Cash and cash equivalents at beginning of the year		44,740	26,193
Exchange (losses)/gains on cash and cash equivalents		(160)	19
Cash and cash equivalents at end of the year		39,302	44,740

The notes on pages 139 to 254 are an integral part of these financial statements.

1. GENERAL INFORMATION

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

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

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

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

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

— Development and sale of residential and commercial properties and primary land development (the "property development").

(c) These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

(a) Business combination under common control

In February 2010, the Group acquired from a subsidiary of China Metallurgical Group Corporation (the "Parent") 40.33% equity interest in Wuhan Metallurgical Traffic Engineering Co., Ltd. ("WMTE"), 37.50% equity interest in Wuhan Electrical Engineering Co., Ltd. ("WEEC") and 35% equity interest in Wuhan Metallurgical Construction Co., Ltd. ("WMCC" and collectively the "Acquired Entities") for cash consideration of RMB10 million, RMB18 million and RMB18 million respectively. The financial statements of the Acquired Entities are consolidated by the Group as the Group has control over operating and financial policies of these entities.

The Acquired Entities and the Group are controlled and ultimately owned by the Parent. Accordingly, the aforesaid transactions are regarded as business combination under common control. Therefore, these consolidated financial statements incorporated the results of the Acquired Entities as if both the Acquired Entities and the Group had always been combined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of presentation *(Continued)*

(a) Business combination under common control (Continued)

Subsequent to the business combination under common control above, in May 2010, the Group acquired from non-controlling interest 59.67% equity interest in WMTE, 62.5% equity interest in WEEC and 52.8% equity interest in WMCC for cash consideration of RMB10 million, RMB29 million and RMB27 million respectively. After completing this business combinations, the Group had 100% equity interest of WMTE, 100% equity interest of WEEC and 87.8% equity interest of WMCC.

(b) Adjustment for early adoption of amendment to IFRS 1

The International Accounting Standards Board ("IASB") issued the amendment to Appendix D of IFRS 1 "First-time Adoption of International Financial Reporting Standards" in May 2010. With this amendment, a first-time adopter ("FTA") may elect to use event-driven (such as privatisation or initial public offering) fair values under previous accounting standards as its deemed costs under International Financial Reporting Standards ("IFRS"), provided that the revaluation took place at periods before or during the FTA's first set of IFRS financial statements. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011.

The amendment can be applied by existing IFRS preparers retrospectively in the first annual period after the amendment is effective, and earlier application is permitted.

The Group has early adopted IFRS 1 (Amendment) and has applied it retrospectively.

Details of the adjustments for the common control combination and adjustment for early adoption of amendment to IFRS 1 on the Group's financial position as at 31 December 2010 and 2009 and the Group's results for the years then ended are set out in Note 23(a).

2.2 Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS. These consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of these consolidated financial statements in conformity with IFRS 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 these consolidated financial statements are disclosed in Note 4 below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of preparation *(Continued)*

(a) Amended standards and interpretation adopted by the Group

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

  — Amendment to IFRS 8 'Operating segments' (effective from 1 January 2010). Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The amendment does not have any effect on the 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 amendment does not have any effect 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 amendment does not have any effect 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 amendment does not have any effect on the Group's financial statements;

  — Amendment to IAS 1 'Presentation of financial statements' (effective from 1 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The amendment does not have any effect on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of preparation *(Continued)*

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

- IAS 24 (Revised), "Related party disclosures" (effective from 1 January 2011). The amendment introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party. The Group has early adopted this amendment and simplified the disclosures for related party transactions and balances with government-related entities (refer to details in Note 46).

(c) New standards have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted.

The Group's and Parent entity's assessment of the impact of these new standards is set out below.

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the group's accounting for its debt available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised RMB4 million of such loss in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 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. These consolidated financial statements incorporate the acquired entity's results as if both entities (acquirer and acquiree) had always been combined. Consequently, these consolidated financial statements reflect 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.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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 2.11(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 statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Consolidation *(Continued)*

(a) Subsidiaries (Continued)

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.

(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.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(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 2.11 for the impairment of non-financial assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Consolidation *(Continued)*

(c) Associates (Continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. 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.

2.4 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.

2.5 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"). These consolidated financial statements are 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 statement.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(b) Transactions and balances (Continued)

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 other comprehensive income.

(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 rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement 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.

2.6 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 statement during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment *(Continued)*

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	3 - 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 statement.

2.7 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Deferred overburden removal costs *(Continued)*

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 statement 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 statement 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 statement as operating costs.

The amount of production stripping costs capitalised or charged in consolidated income statement 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 is described in Note 2.6.

2.8 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.

2.9 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 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 statement 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 statement.

Rental income from investment property is recognised in the consolidated income statement 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 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 period on the straight-line basis under the intangible asset model.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 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.

2.13 Financial assets

2.13.1 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 if expected to be settled within 12 months; otherwise, they are classified as non-current.

(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 mainly 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Financial assets *(Continued)*

2.13.1 Classification (Continued)

(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.

2.13.2 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 statement. 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 statement 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 statement 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 other comprehensive income. 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 statement 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 statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Impairment of financial assets *(Continued)*

(a) Assets carried at amortised cost (Continued)

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.15 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.17 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.18 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.

2.19 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.20 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 statement 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax

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

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 basis 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 for deferred income tax liability 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 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 sheet 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 statement immediately. Past-service costs are recognised immediately in the consolidated income statement.

(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 policy 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 statement 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 a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. The 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(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.

2.23 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.

2.24 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Restoration and rehabilitation *(Continued)*

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 statement. 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.

2.25 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 statement 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 statement on a straight-line basis over the expected lives of the related assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 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 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 and 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".

2.27 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 Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

(a) *Revenue from construction and service contracts*

When the outcome of a contract can be estimated reliably, revenue from construction and service contracts is recognised 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 construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and such contract costs is recognised 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 statement 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 sheet under current liabilities.

(d) *Services rendered*

Revenue for services rendered mainly includes technique development, design, consultation and supervision, and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.27 Revenue recognition *(Continued)*

(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 using the effective interest method. When a loan and 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 loan and receivables are recognised using the original effective interest rate.

(h) Dividend income

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

2.28 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 statement 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 sheet.

2.29 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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.29 Research and development *(Continued)*

(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.

2.30 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in these consolidated financial statements in the period in which the dividends are approved by the Company's equity holders.

2.31 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.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose 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 are also foreign currency denominated transactions arising from the Group's foreign operations and purchases of machinery and equipment from overseas suppliers.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Foreign exchange risk (Continued)

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 the United States Dollar ("US dollar") and the Hong Kong Dollar ("HK dollar").

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

As at 31 December 2010, if RMB had strengthened by 5% (2009: 5%) against US dollar, HK dollar and other foreign currencies with all other variables held constant, which were considered reasonably possible by management, the profit after tax for the year ended 31 December 2010 would have been approximately RMB393 million higher (2009: RMB174 million lower), mainly as a result of foreign exchange losses/gains on translation of US dollar, HK dollar and other foreign currencies denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

(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 2010, approximately RMB430 million (2009: RMB364 million) of the Group's restricted cash, approximately RMB477 million (2009: RMB317 million) of the Group's cash and cash equivalents and approximately RMB54,254 million (2009: RMB29,977 million) of the Group's borrowings were at fixed rates. 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 20, 21, 16 and 25 respectively.

To monitor 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 25.

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

As at 31 December 2010, if the interest rate on RMB-denominated borrowings had been 100 basis points higher with all other variables held constant, which was considered reasonably possible by management, profit after income tax for the year ended 31 December 2010 would have been RMB195 million lower, mainly as a result of higher interest expenses on bank borrowings and the amounts due to related parties.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Interest rate risk (Continued)

As at 31 December 2010, if the interest rate on US dollar-denominated borrowings had been 100 basis points higher with all other variables held constant, which was considered reasonably possible by management, profit after income tax for the year ended 31 December 2010 would have been RMB19 million lower, mainly as a result of higher interest expenses on bank borrowings and the amounts due to related parties.

(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	
	2010	2009
Change in equity price	**1%**	1%

	Year ended 31 December	
	2010	2009
	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		
— as a result of increase in equity price	**—**	3
— as a result of decrease in equity price	**—**	(3)
Impact on equity		
Increase/(decrease) in equity for the year		
— as a result of increase in equity price	**9**	8
— as a result of decrease in equity price	**(9)**	(8)

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(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 and staff advances), and the nominal value of the guarantees provided on liabilities as disclosed in Note 43 represent the Group's main 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 year.

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

(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 25(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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(e) *Liquidity risk (Continued)*

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*	Total *RMB million*
As at 31 December 2010					
Borrowings	53,249	17,339	23,809	22,684	117,081
Trade and other payables	72,836	855	—	—	73,691
	126,085	18,194	23,809	22,684	190,772
As at 31 December 2009					
Borrowings	31,608	15,517	18,945	7,798	73,868
Trade and other payables	63,553	6,186	—	—	69,739
	95,161	21,703	18,945	7,798	143,607

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*	Total *RMB million*
As at 31 December 2010					
Borrowings	26,399	1,068	9,180	18,059	54,706
Trade and other payables	9,644	—	—	—	9,644
	36,043	1,068	9,180	18,059	64,350
As at 31 December 2009					
Borrowings	7,341	6,961	4,898	7,528	26,728
Trade and other payables	12,008	—	—	—	12,008
	19,349	6,961	4,898	7,528	38,736

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value as at 31 December 2010:

	Level 1 *RMB million*	**Level 2** *RMB million*	**Level 3** *RMB million*	**Total** *RMB million*
Assets				
Financial assets at fair value through profit or loss *(Note 17)*	—	—	—	—
Available-for-sale financial assets *(Note 14)*	867	681	—	1,548
Held-to-maturity investments *(Note 15)*	250	—	—	250
Total assets	1,117	681	—	1,798

The following table presents the Group's assets that are measured at fair value as at 31 December 2009:

(See note 2.1)	**Level 1** *RMB million*	**Level 2** *RMB million*	**Level 3** *RMB million*	**Total** *RMB million*
Assets				
Financial assets at fair value through profit or loss *(Note 17)*	301	—	—	301
Available-for-sale financial assets *(Note 14)*	811	680	—	1,491
Held-to-maturity investments *(Note 15)*	301	—	—	301
Total assets	1,413	680	—	2,093

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation *(Continued)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3.3 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 sheet, less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheet, plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratio as at 31 December 2010 is as follows:

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Total borrowings *(Note 25)*	**105,924**	67,987
Less: Cash and cash equivalents *(Note 21)*	**(39,302)**	(44,740)
Net debt	**66,622**	23,247
Total equity	**53,512**	46,076
Total capital	**120,134**	69,323
Gearing ratio	**55%**	34%

4. 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 statement in the year 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 year in which such determination is 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(e) Pension obligations

The present value of the pension 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. 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 27.

5. SEGMENT INFORMATION

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

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

The "others" segment mainly comprises trading 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 6), land use rights (Note 7), mining rights (Note 8), investment properties (Note 9), and intangible assets (Note 10), including additions resulting from acquisitions through business combinations (Notes 6,7 and 8).

5. SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 31 December 2010:

The segment results for the year ended 31 December 2010 are as follows:

	Engineering and construction *RMB million*	Equipment manufacturing *RMB million*	Resources development *RMB million*	Property development *RMB million*	Others *RMB million*	Elimination *RMB million*	Total *RMB million*
Segment revenue	157,706	10,584	10,937	24,909	6,089	(3,828)	206,397
Inter-segment revenue	(2,259)	(26)	(356)	—	(1,187)	3,828	—
Revenue	155,447	10,558	10,581	24,909	4,902	—	206,397
Segment result	6,459	(89)	548	3,801	58	(115)	10,662
Unallocated costs							(226)
Operating profit							10,436
Finance income							849
Finance costs							(2,876)
Share of profit of associates	161	(22)	—	(5)	—	—	134
Profit before income tax							8,543
Income tax expense							(2,972)
Profit for the year							5,571

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

	Engineering and construction *RMB million*	Equipment manufacturing *RMB million*	Resources development *RMB million*	Property development *RMB million*	Others *RMB million*	Total *RMB million*
Depreciation *(Notes 6, 9)*	928	287	494	28	21	1,758
Amortisation *(Notes 7, 8, 10)*	187	19	87	2	40	335
Provision for impairment of property, plant and equipment *(Note 6)*	—	—	—	—	15	15
(Reversal of)/provision for impairment of inventories *(Note 19)*	(5)	49	108	6	—	158
Foreseeable losses on construction contracts *(Note 32)*	65	—	—	—	—	65
Provision for/(reversal of) impairment on trade and other receivables *(Note 32)*	802	49	38	31	12	932

5. SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 31 December 2010: *(Continued)*

The segment assets and liabilities as at 31 December 2010 and capital expenditure for the year then ended are as follows:

	Engineering and construction *RMB million*	Equipment manufacturing *RMB million*	Resources development *RMB million*	Property development *RMB million*	Others *RMB million*	Elimination *RMB million*	Total *RMB million*
Assets							
Segment assets	177,022	20,281	35,810	71,203	20,424	(42,043)	282,697
Investments in associates	1,202	8	2	603	—	—	1,815
Unallocated assets							3,709
Total assets							288,221
Liabilities							
Segment liabilities	81,208	9,710	12,270	38,199	13,276	(27,701)	126,962
Unallocated liabilities							107,747
Total liabilities							234,709
Capital expenditure	4,385	2,179	4,993	91	914	—	12,562

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

	Assets *RMB million*	**Liabilities** *RMB million*
Segment assets/liabilities	282,697	126,962
Investments in associates	1,815	—
Unallocated:		
Deferred income tax	2,161	545
Current income tax	—	1,278
Current borrowings	—	53,249
Non-current borrowings	—	52,675
Available-for-sale financial assets	1,548	—
Total	288,221	234,709

5. SEGMENT INFORMATION *(Continued)*

(b) As at and for the year ended 31 December 2009:

The segment results for the year ended 31 December 2009 are as follows:

(See note 2.1)	**Engineering and construction** *RMB million*	**Equipment manufacturing** *RMB million*	**Resources development** *RMB million*	**Property development** *RMB million*	**Others** *RMB million*	**Elimination** *RMB million*	**Total** *RMB million*
Segment revenue	137,172	9,089	7,644	9,438	3,811	(1,659)	165,495
Inter-segment revenue	(810)	(30)	(25)	—	(794)	1,659	—
Revenue	136,362	9,059	7,619	9,438	3,017	—	165,495
Segment result	6,907	204	368	1,046	197	(169)	8,553
Unallocated costs							(135)
Operating profit							8,418
Finance income							806
Finance costs							(2,621)
Share of profit of associates	67	26	3	(11)	—	—	85
Profit before income tax							6,688
Income tax expense							(1,500)
Profit for the year							5,188

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

(See note 2.1)	**Engineering and construction** *RMB million*	**Equipment manufacturing** *RMB million*	**Resources development** *RMB million*	**Property development** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Depreciation *(Notes 6, 9)*	770	207	441	29	29	1,476
Amortisation *(Notes 7, 8, 10)*	146	13	43	1	11	214
Provision for/(reversal of) impairment of inventories *(Note 19)*	11	2	(33)	2	4	(14)
Reversal of foreseeable losses on construction contracts *(Note 32)*	(58)	—	—	—	—	(58)
Provision for/(reversal of) impairment on trade and other receivables *(Note 32)*	639	36	129	2	(35)	771

5. SEGMENT INFORMATION *(Continued)*

(b) As at and for the year ended 31 December 2009: *(Continued)*

The segment assets and liabilities as at 31 December 2009 and capital expenditure for the year then ended are as follows:

(See note 2.1)	**Engineering and construction** *RMB million*	**Equipment manufacturing** *RMB million*	**Resources development** *RMB million*	**Property development** *RMB million*	**Others** *RMB million*	**Elimination** *RMB million*	**Total** *RMB million*
Assets							
Segment assets	148,258	16,099	29,731	49,414	19,567	(36,027)	227,042
Investments in associates	802	37	2	314	—	—	1,155
Unallocated assets							3,644
Total assets							231,841
Liabilities							
Segment liabilities	84,434	7,048	6,676	25,947	13,118	(21,138)	116,085
Unallocated liabilities							69,680
Total liabilities							185,765
Capital expenditure	3,268	2,756	5,495	238	59	—	11,816

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

(See note 2.1)	**Assets** *RMB million*	**Liabilities** *RMB million*
Segment assets/liabilities	227,042	116,085
Investments in associates	1,155	—
Unallocated:		
Deferred income tax	1,852	632
Current income tax	—	1,061
Current borrowings	—	31,608
Non-current borrowings	—	36,379
Available-for-sale financial assets	1,491	—
Financial assets at fair value through profit or loss	301	—
Total	231,841	185,765

5. SEGMENT INFORMATION *(Continued)*

(c) Revenue from external customers for each category is as follows:

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Construction contracts	**155,447**	136,362
Sales of goods	**46,048**	26,116
Others *(i)*	**4,902**	3,017
	206,397	165,495

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

(d) Revenue from external customers in the PRC and other countries is analysed as follows:

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
The PRC	**192,111**	154,622
Other countries	**14,286**	10,873
	206,397	165,495

(e) As at 31 December 2010, the total of non-current assets other than available-for-sale financial assets, financial assets at fair value through profit or loss and deferred tax assets located in the PRC is RMB54,901 million (2009: RMB40,139 million), and the total of these non-current assets located in other countries is RMB14,617 million (2009: RMB12,175 million).

(f) Total assets

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

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
The PRC	**252,522**	205,609
Other countries	**31,990**	22,588
	284,512	228,197
Unallocated assets	**3,709**	3,644
	288,221	231,841

5. SEGMENT INFORMATION *(Continued)*

(g) Capital expenditures

Capital expenditures are allocated based on where the assets are located.

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
The PRC	**10,230**	7,327
Other countries	**2,332**	4,489
	12,562	11,816

6. PROPERTY, PLANT AND EQUIPMENT

Group

(See note 2.1)	**Mining structure** *RMB million*	**Buildings** *RMB million*	**Plant and machinery** *RMB million*	**Trans-portation equipment** *RMB million*	**Furniture, office and other equipment** *RMB million*	**Construction -in-progress** *RMB million*	**Total** *RMB million*
Cost							
At 1 January 2009	36	8,983	10,635	1,703	621	7,291	29,269
Additions	20	455	777	256	79	8,492	10,079
Attributable to acquisition of subsidiaries *(Note 41)*	—	6	15	4	7	3	35
Transfer upon completion	—	1,903	1,380	11	30	(3,324)	—
Disposals/write-off	—	(144)	(223)	(158)	(23)	(3)	(551)
Exchange differences	—	(1)	(88)	(1)	(1)	(7)	(98)
Transfer to investment properties *(Note 9)*	—	(11)	—	—	—	—	(11)
At 31 December 2009	56	11,191	12,496	1,815	713	12,452	38,723
Additions	—	494	1,062	411	99	8,045	10,111
Transfer from investment properties *(Note 9)*	—	3	—	—	—	—	3
Attributable to acquisition of subsidiaries *(Note 41)*	—	—	17	—	—	145	162
Transfer upon completion	6	3,574	2,688	11	33	(6,312)	—
Disposals/write-off	—	(304)	(394)	(160)	(86)	(865)	(1,809)
Exchange differences	—	(19)	(12)	(2)	(2)	(2)	(37)
Transfer to investment properties *(Note 9)*	—	(81)	—	—	—	—	(81)
At 31 December 2010	62	14,858	15,857	2,075	757	13,463	47,072

6. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

(See note 2.1)	**Mining structure** *RMB million*	**Buildings** *RMB million*	**Plant and machinery** *RMB million*	**Trans-portation equipment** *RMB million*	**Furniture, office and other equipment** *RMB million*	**Construction -in-progress** *RMB million*	**Total** *RMB million*
Accumulated depreciation							
At 1 January 2009	4	1,878	4,295	765	251	—	7,193
Depreciation	—	469	936	164	85	—	1,654
Disposals/write-off	—	(71)	(199)	(100)	(17)	—	(387)
Transfer to investment properties *(Note 9)*	—	(4)	—	—	—	—	(4)
At 31 December 2009	4	2,272	5,032	829	319	—	8,456
Depreciation	1	569	1,135	212	103	—	2,020
Transfer from investment properties *(Note 9)*	—	1	—	—	—	—	1
Disposals/write-off	—	(106)	(251)	(111)	(48)	—	(516)
Transfer to investment properties *(Note 9)*	—	(18)	—	—	—	—	(18)
At 31 December 2010	5	2,718	5,916	930	374	—	9,943
Impairment provision							
At 1 January 2009	—	1	3	—	—	6	10
At 31 December 2009	—	1	3	—	—	6	10
Additions	—	—	15	—	—	—	15
At 31 December 2010	—	1	18	—	—	6	25
Net book value							
At 31 December 2010	57	12,139	9,923	1,145	383	13,457	37,104
At 31 December 2009	52	8,918	7,461	986	394	12,446	30,257

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

	Year ended 31 December	
	2010 *RMB million*	2009 *RMB million* *(See note 2.1)*
Cost of sales	**1,278**	1,080
Administrative expenses	**434**	364
Selling and marketing expenses	**11**	10
	1,723	1,454

Other depreciation not charged to the consolidated income statement has been capitalised in inventory and property under development.

6. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(b) As at 31 December 2010, bank borrowings are secured by certain property, plant and equipment of the Group with an aggregate carrying amount of approximately RMB1,180 million (2009: RMB1,520 million) (Note 25).

7. LAND USE RIGHTS

Group

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Cost		
At beginning of the year	**8,120**	7,382
Additions	**467**	791
Transfer from investment properties *(Note 9)*	**114**	—
Attributable to acquisition of subsidiaries *(Note 41)*	**34**	—
Disposals	**(50)**	(53)
Transfer to investment properties *(Note 9)*	**(74)**	—
At end of the year	**8,611**	8,120
Accumulated amortisation		
At beginning of the year	**383**	221
Amortisation	**177**	166
Transfer from investment properties *(Note 9)*	**5**	—
Disposals	**(2)**	(4)
Transfer to investment properties *(Note 9)*	**(6)**	—
At end of the year	**557**	383
Net book value	**8,054**	7,737

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	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Land use rights lease period between 10 to 50 years	**6,082**	6,533
Land use rights lease period over 50 years	**1,972**	1,204
	8,054	7,737

7. LAND USE RIGHTS *(Continued)*

Group *(Continued)*

(a) Amortisation of the Group's land use rights has been included in administrative expenses of the consolidated income statement.

(b) As at 31 December 2010, bank borrowings are secured by certain land use rights of the Group with an aggregate carrying amount of approximately RMB1,743 million (2009: RMB1,866 million) (Note 25).

8. MINING RIGHTS

Group

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Cost		
At beginning of the year	**3,686**	3,521
Additions	**313**	191
Attributable to acquisition of subsidiaries *(Note 41)*	**686**	—
Exchange differences	**222**	(26)
At end of the year	**4,907**	3,686
Accumulated amortisation		
At beginning of the year	**11**	5
Amortisation	**39**	6
At end of the year	**50**	11
Net book value	**4,857**	3,675

9. INVESTMENT PROPERTIES

Group

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Cost		
At beginning of the year	**994**	1,001
Additions	**20**	52
Transfer from property, plant and equipment *(Note 6)*	**81**	11
Transfer from land use rights *(Note 7)*	**74**	—
Disposals	**(4)**	(70)
Transfer to property, plant and equipment *(Note 6)*	**(3)**	—
Transfer to land use rights *(Note 7)*	**(114)**	—
At end of the year	**1,048**	994
Accumulated depreciation		
At beginning of the year	**184**	164
Depreciation	**35**	22
Transfer from property, plant and equipment *(Note 6)*	**18**	4
Transfer from land use rights *(Note 7)*	**6**	—
Disposals	**(1)**	(6)
Transfer to property, plant and equipment *(Note 6)*	**(1)**	—
Transfer to land use rights *(Note 7)*	**(5)**	—
At end of the year	**236**	184
Impairment provision		
At beginning of the year	**—**	—
Disposals	**—**	—
At end of the year	**—**	—
Net book value	**812**	810
Fair value (a)	**2,133**	1,758

(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) Rental income of the Group's investment properties of RMB119 million (2009: RMB116 million) has been recognised as other revenue and depreciation of the Group's investment properties of RMB35 million (2009: RMB22 million) has been recognised as other expense in the consolidated income statement.

10. INTANGIBLE ASSETS

Group

(See note 2.1)	Goodwill RMB million	Patent and proprietary technologies RMB million	Purchased computer software RMB million	Concession assets RMB million	Total RMB million
Cost					
At 1 January 2009	1,047	27	96	2,506	3,676
Additions	1	21	64	1,680	1,766
Exchange differences	(30)	—	—	—	(30)
Disposals	—	(4)	(3)	(8)	(15)
At 31 December 2009	1,018	44	157	4,178	5,397
Additions	96	—	48	1,715	1,859
Exchange differences	(9)	—	—	—	(9)
Disposals	(316)	—	(1)	—	(317)
At 31 December 2010	789	44	204	5,893	6,930
Accumulated amortisation					
At 1 January 2009	—	14	35	12	61
Amortisation	—	5	27	10	42
Disposals	—	—	(3)	(3)	(6)
At 31 December 2009	—	19	59	19	97
Amortisation	—	6	33	80	119
Disposals	—	—	(1)	—	(1)
At 31 December 2010	—	25	91	99	215
Impairment provision					
At 1 January 2009	—	—	—	—	—
Additions	15	—	—	—	15
At 31 December 2009	15	—	—	—	15
Additions	227	—	—	—	227
At 31 December 2010	242	—	—	—	242
Net book value					
At 31 December 2010	547	19	113	5,794	6,473
At 31 December 2009	1,003	25	98	4,159	5,285

(a) Amortisation of the Group's intangible assets for the year ended 31 December 2010 amounting to RMB119 million (2009: RMB42 million) has been charged to the consolidated income statement as administrative expenses.

10. INTANGIBLE ASSETS *(Continued)*

Group *(Continued)*

(b) For the purposes of impairment testing, goodwill has been allocated to 19 (2009: 19) individual cash generating units ("CGU") which comprise 19 (2009: 19) subsidiaries arising from business combinations other than common control combinations as set out in Note 41. The carrying amounts of goodwill as at 31 December 2010 which were allocated to the significant CGU were as follows:

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
MCC Finance Corporation Ltd. *(i)*	**105**	105
MCC Minera Sierra Grande S.A. *(ii)*	**211**	220
Beijing Guangyuanli Real Estate Development Co., Ltd *(iii)*	**—**	171
Beijing Hargongda Yataikongjian Real Estate Development Co., Ltd (iv)	**—**	316

Other goodwill of other CGUs is less than RMB100 million.

(i) The recoverable amount is determined based on value-in-use calculations. The recoverable amount is based on certain 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 11%. 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 2010, 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 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 11%. 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 2010, 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 MCC Building developed by Beijing Guangyuanli Real Estate Development Co., Ltd was sold in March 2010, and impairment provision has been made on entire amount of goodwill.

(iv) Beijing Hargongda Yataikongjian Real Estate Development Co., Ltd was deregistered in 2010. And the goodwill has been written off.

11. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Unlisted investments, at cost	**54,906**	52,800

Particulars of the Company's principal subsidiaries are set out in Note 47.

12. INVESTMENTS IN ASSOCIATES

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Share of net assets	**1,815**	1,155

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

Group

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
At beginning of year	**1,155**	929
Additions	**558**	140
Transfer from investments in subsidiaries	**—**	13
Share of profit	**134**	85
Dividend distribution	**(20)**	(1)
Disposals	**(4)**	—
Transfer to investments in subsidiaries	**—**	(7)
Impairment provision	**(8)**	(4)
At end of year	**1,815**	1,155

12. INVESTMENTS IN ASSOCIATES *(Continued)*

(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	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Total assets	**5,134**	3,861
Total liabilities	**(3,306)**	(2,693)
Non-controlling interests	**(13)**	(13)
	1,815	1,155

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
Revenue	**1,642**	1,250
Profit for the year	**134**	85

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 47.

13. FINANCIAL INSTRUMENTS BY CATEGORY

Group

	Loans and receivables *RMB million*	Assets at fair value through profit or loss *RMB million*	Held-to-maturity *RMB million*	Available- for-sale *RMB million*	Total *RMB million*
As at 31 December 2010					
Assets as per consolidated balance sheet					
Available-for-sale financial assets *(Note 14)*	—	—	—	1,548	1,548
Held-to-maturity financial assets *(Note 15)*	—	—	250	—	250
Trade receivables *(Note 16)*	61,774	—	—	—	61,774
Deposits and other receivables *(Note 16)*	11,467	—	—	—	11,467
Financial assets at fair value through profit or loss *(Note 17)*	—	—	—	—	—
Restricted cash *(Note 20)*	2,151	—	—	—	2,151
Cash and cash equivalents *(Note 21)*	39,302	—	—	—	39,302
Total	114,694	—	250	1,548	116,492

	Other financial liabilities *RMB million*	Total *RMB million*
Liabilities as per consolidated balance sheet		
Borrowings *(Note 25)*	105,924	105,924
Trade payables *(Note 24)*	59,736	59,736
Accrued expenses, deposits payable, long term payables due to third parties and other payables *(Note 24)*	13,100	13,100
Total	178,760	178,760

13. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group *(Continued)*

(See note 2.1)	**Loans and receivables** *RMB million*	**Assets at fair value through profit or loss** *RMB million*	**Held-to-maturity** *RMB million*	**Available-for-sale** *RMB million*	**Total** *RMB million*
As at 31 December 2009					
Assets as per consolidated balance sheet					
Available-for-sale financial assets *(Note 14)*	—	—	—	1,491	1,491
Held-to-maturity financial assets *(Note 15)*	—	—	301	—	301
Trade receivables *(Note 16)*	41,641	—	—	—	41,641
Deposits and other receivables *(Note 16)*	11,555	—	—	—	11,555
Financial assets at fair value through profit or loss *(Note 17)*	—	301	—	—	301
Restricted cash *(Note 20)*	1,223	—	—	—	1,223
Cash and cash equivalents *(Note 21)*	44,740	—	—	—	44,740
Total	99,159	301	301	1,491	101,252

(See note 2.1)	**Other financial liabilities** *RMB million*	**Total** *RMB million*
Liabilities as per consolidated balance sheet		
Borrowings *(Note 25)*	67,987	67,987
Trade payables *(Note 24)*	48,964	48,964
Accrued expenses, deposits payable, long term payables due to third parties and other payables *(Note 24)*	14,589	14,589
Total	131,540	131,540

13. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

	Loans and receivables *RMB million*	Total *RMB million*
As at 31 December 2010		
Assets as per balance sheet		
Trade receivables *(Note 16)*	**1,278**	1,278
Amounts due from subsidiaries and other receivables *(Note 16)*	**37,644**	37,644
Cash and cash equivalents *(Note 21)*	**13,986**	13,986
Total	**52,908**	52,908

	Other financial liabilities *RMB million*	Total *RMB million*
Liabilities as per balance sheet		
Borrowings *(Note 25)*	**46,112**	46,112
Trade payables *(Note 24)*	**478**	478
Interest payable, amounts due to subsidiaries and other payables *(Note 24)*	**9,166**	9,166
Total	**55,756**	55,756

	Loans and receivables *RMB million*	Total *RMB million*
As at 31 December 2009		
Assets as per balance sheet		
Trade receivables *(Note 16)*	2,007	2,007
Amounts due from subsidiaries and other receivables *(Note 16)*	13,978	13,978
Cash and cash equivalents *(Note 21)*	14,493	14,493
Total	30,478	30,478

	Other financial liabilities *RMB million*	Total *RMB million*
Liabilities as per balance sheet		
Borrowings *(Note 25)*	21,129	21,129
Trade payables *(Note 24)*	368	368
Interest payable, amounts due to subsidiaries and other payables *(Note 24)*	11,640	11,640
Total	33,137	33,137

14. 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	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
At beginning of year	**1,491**	1,062
Additions	**245**	287
Disposals	**(222)**	(144)
Net fair value gains transferred to equity	**36**	286
Provision for impairment	**(2)**	—
At end of year	**1,548**	1,491
Less: non-current portion	**(1,548)**	(1,464)
Current portion	**—**	27

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

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Listed securities		
— Equity securities - China	**867**	811
Unlisted securities		
— Equity securities - China	**681**	680
	1,548	1,491
Market value of listed securities	**867**	811

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

15. 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	
	2010	2009
(See Note 2.1)	***RMB million***	*RMB million*
At beginning of year	**301**	47
Additions	**539**	914
Accrued interest	**1**	2
Settlement upon maturity	**(591)**	(662)
At end of year	**250**	301
Less: non-current portion	**—**	(250)
Current portion	**250**	51

There were no impairment provisions on held-to-maturity financial assets for the year ended 31 December 2010 (2009: nil).

(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 2010 approximates their fair values.

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

16. TRADE AND OTHER RECEIVABLES

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Trade receivables		
Trade receivables	**49,521**	32,446
Retentions	**1,979**	1,628
Notes receivables	**10,274**	7,567
	61,774	41,641
Less: Provision for impairment	**(3,607)**	(2,835)
Trade receivables - net	**58,167**	38,806
Other receivables		
Prepayments to suppliers	**22,607**	19,909
Deposits	**8,649**	7,386
Amounts due from related parties and third parties	**1,848**	3,575
Staff advances	**702**	609
Prepayment for investments	**2,606**	2,728
Others	**970**	594
	37,382	34,801
Less: Provision for impairment	**(887)**	(751)
Other receivables - net	**36,495**	34,050
Total trade and other receivables	**94,662**	72,856
Less: Non-current portion		
— Trade and other receivables	**(9,577)**	(2,491)
— Retentions	**(695)**	(797)
	(10,272)	(3,288)
Current portion	**84,390**	69,568

Please refer to Note 46 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 2010 approximate their fair values. In addition, the fair value of the non-current trade and other receivables as at 31 December 2010 are RMB9,724 million (2009: RMB3,193 million).

16. TRADE AND OTHER RECEIVABLES *(Continued)*

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Trade receivables		
Trade receivables	**1,170**	2,007
Notes receivables	**108**	—
	1,278	2,007
Less: Provision for impairment	**(33)**	(17)
Trade receivables - net	**1,245**	1,990
Other receivables		
Prepayments to suppliers	**485**	442
Amounts due from subsidiaries	**37,502**	13,752
Prepayment for investments	**1,867**	1,867
Others	**142**	226
	39,996	16,287
Less: Provision for impairment	**(52)**	(52)
Other receivables - net	**39,944**	16,235
Total trade and other receivables	**41,189**	18,225
Less: Non-current portion		
— Trade and other receivables	**(15,820)**	(2,399)
Current portion	**25,369**	15,826

Please refer to Note 46 for the Company's trade and other receivables due from related parties.

16. TRADE AND OTHER RECEIVABLES *(Continued)*

Company *(Continued)*

The carrying amounts of the current portion of the Company's trade and other receivables at 31 December 2010 approximate their fair values. In addition, the fair value of the non-current trade and other receivables as at 31 December 2010 are RMB15,820 million (2009: RMB2,399 million).

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

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See Note 2.1)
Less than 1 year	**47,738**	32,396
1 year to 2 years	**9,281**	5,940
2 years to 3 years	**2,691**	1,927
3 years to 4 years	**1,133**	471
4 years to 5 years	**257**	252
Over 5 years	**674**	655
Trade receivables - gross	**61,774**	41,641
Less: Provision for impairment	**(3,607)**	(2,835)
Trade receivables - net	**58,167**	38,806

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Less than 1 year	**973**	1,005
1 year to 2 years	**204**	300
2 years to 3 years	**101**	47
3 years to 4 years	**—**	266
4 years to 5 years	**—**	136
Over 5 years	**—**	253
Trade receivables - gross	**1,278**	2,007
Less: Provision for impairment	**(33)**	(17)
Trade receivables - net	**1,245**	1,990

16. TRADE AND OTHER RECEIVABLES *(Continued)*

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

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, amounts due from related parties and third parties and others, is analysed by class of financial assets in Note 16 (c), (d) and (e) below.

(c) As at 31 December 2010, the Group's trade and other receivables of RMB44,431 million (2009: RMB31,623 million) were fully performing. As at 31 December 2010, the Company's trade and other receivables of RMB38,330 million (2009: RMB14,707 million) 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 year.

(d) As at 31 December 2010, the Group's trade and other receivables of approximately RMB24,253 million (2009: RMB17,586 million) were overdue but not impaired. As at 31 December 2010, the Company's trade and other receivables of approximately RMB401 million (2009: RMB1,033 million) were overdue 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	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Less than 1 year	**18,060**	15,843
1 year to 2 years	**5,074**	1,324
2 years to 3 years	**751**	388
3 years to 4 years	**368**	30
4 years to 5 years	**—**	1
Total	**24,253**	17,586

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Less than 1 year	**401**	**1,033**

16. TRADE AND OTHER RECEIVABLES *(Continued)*

(e) As at 31 December 2010, the Group's trade and other receivables of approximately RMB4,557 million (2009: RMB3,987 million) were wholly or partially impaired. The amount of the related provisions for impairment of these receivables was approximately RMB4,494 million (2009: RMB3,586 million). As at 31 December 2010, the Company's trade and other receivables of approximately RMB190 million (2009: RMB245 million) were wholly or partially impaired. The amount of the related provisions for impairment of these receivables was approximately RMB85 million (2009: RMB69 million). The ageing analysis of these impaired trade and other receivables are as follows:

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See Note 2.1)
Less than 1 year	**1,558**	1,289
1 year to 2 years	**644**	598
2 years to 3 years	**593**	436
3 years to 4 years	**424**	432
4 years to 5 years	**323**	321
Over 5 years	**1,015**	911
Total	**4,557**	3,987

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Less than 1 year	**—**	44
1 year to 2 years	**44**	149
2 years to 3 years	**94**	—
Over 5 years	**52**	52
Total	**190**	245

16. TRADE AND OTHER RECEIVABLES *(Continued)*

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

Group

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See Note 2.1)
At beginning of year	**3,586**	2,765
Additions	**932**	829
Write-off	**(12)**	(6)
Other decrease	**(12)**	(2)
At end of year	**4,494**	3,586

Company

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
At beginning of year	**69**	60
Additions	**16**	9
At end of year	**85**	69

(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	
	2010	2009
	RMB million	*RMB million*
		(See Note 2.1)
RMB	**91,049**	70,333
US dollar	**1,652**	1,944
Others	**1,961**	579
	94,662	72,856

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
RMB	**39,390**	15,605
US dollar	**1,791**	2,617
Others	**8**	3
	41,189	18,225

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	Investments in listed equity securities in China *RMB million*
At 1 January 2009	2
Additions	340
Disposals	(42)
Increase in fair value through profit or loss	1
At 31 December 2009	301
Additions	644
Disposals	(945)
Increase in fair value through profit or loss	—
At 31 December 2010	—

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains - net" in the consolidated income statement (Note 31).

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

18. CONTRACT WORK-IN-PROGRESS

Group

	As at 31 December	
	2010 ***RMB million***	2009 *RMB million* *(See Note 2.1)*
Contract cost incurred plus recognised profit less recognised losses	**428,590**	324,831
Less: Progress billings	**(410,711)**	(312,499)
Contract work-in-progress	**17,879**	12,332
Representing:		
Amounts due from customers for contract work	**30,601**	25,582
Amounts due to customers for contract work	**(12,722)**	(13,250)
	17,879	12,332

18. CONTRACT WORK-IN-PROGRESS *(Continued)*

Group *(Continued)*

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See Note 2.1)
Contract revenue recognised as revenue	**155,447**	136,362

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Contract cost incurred plus recognised profit less recognised losses	**6,149**	3,412
Less: Progress billings	**(6,737)**	(3,818)
Contract work-in-progress	**(588)**	(406)
Representing:		
Amounts due from customers for contract work	**14**	12
Amounts due to customers for contract work	**(602)**	(418)
	(588)	(406)

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
Contract revenue recognised as revenue	**2,789**	1,865

19. INVENTORIES, PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

(a) Inventories

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See Note 2.1)
Raw materials	**6,928**	6,516
Work-in-progress	**3,455**	3,063
Finished goods	**2,642**	1,970
	13,025	11,549

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

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See Note 2.1)
At beginning of year	**95**	669
Additions	**158**	26
Write-off	**(14)**	(560)
Write-back	**—**	(40)
At end of year	**239**	95

The provisions for impairment and write-back have been expensed off in the consolidated income statement for the year ended 31 December 2010.

19. INVENTORIES, PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE *(Continued)*

(b) Properties under development

Group

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
At beginning of year	**20,364**	17,402
Additions	**36,927**	11,142
Attributable to acquisition of subsidiaries *(Note 41)*	**—**	97
Transfer to completed properties held for sale	**(15,622)**	(8,277)
At end of year	**41,669**	20,364

The analysis as at 31 December 2010 of the properties under development is as follows:

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Land use rights	**24,125**	7,939
Development costs	**16,496**	11,111
Finance costs capitalised	**1,048**	1,314
	41,669	20,364

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

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
At beginning of year	**7,939**	6,662
Attributable to acquisition of subsidiaries	**—**	3
Additions	**19,146**	1,630
Transfer to completed properties held for sale	**(2,960)**	(356)
At end of year	**24,125**	7,939

As at 31 December 2010, certain properties under development with carrying value of RMB6,444 million (2009: RMB2,022 million) are pledged as securities for long-term bank borrowings of RMB3,148 million (2009: RMB1,075 million)(Note 25).

19. INVENTORIES, PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE *(Continued)*

(c) Completed properties held for sale

The analysis as at 31 December 2010 of the completed properties held for sale is as follows:

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See Note 2.1)
Land use rights	**554**	281
Development costs	**2,462**	1,804
Finance costs capitalised	**590**	471
	3,606	2,556

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

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
At beginning of year	**281**	19
Transfer from properties under development	**2,960**	356
Transfer to cost of sales	**(2,687)**	(94)
At end of year	**554**	281

The cost of inventories, properties under development and completed properties held for sale recognised as expenses and included in "cost of sales" amounted to RMB43,456 million for the year ended 31 December 2010 (2009: RMB29,267 million).

20. RESTRICTED CASH

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Restricted cash	**2,151**	1,223

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

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

As at 31 December 2010, the weighted average effective interest rate per annum on restricted cash, with maturities ranging from 6 months to 1 year, was approximately 2.16% (2009: 2.12%).

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

21. CASH AND CASH EQUIVALENTS

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Cash at bank and in hand	**31,417**	40,209
Bank deposits	**7,885**	4,531
Cash and cash equivalents	**39,302**	44,740
Denominated in:		
— RMB	**34,434**	31,008
— US dollar	**2,650**	1,402
— HK dollar	**1,226**	11,361
— Others	**992**	969
	39,302	44,740

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

As at 31 December 2010, the weighted average effective interest rate per annum on bank deposits was approximately 2.03% (2009: 1.98%).

21. CASH AND CASH EQUIVALENTS *(Continued)*

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Cash at bank and in hand	**13,986**	14,493
Denominated in:		
— RMB	**12,461**	3,131
— US dollar	**299**	1
— HK dollar	**1,226**	11,361
	13,986	14,493

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

22. SHARE CAPITAL

	As at 31 December			
	2010		2009	
	Number of shares	**Nominal Value**	Number of shares	Nominal Value
	million	***RMB million***	*million*	*RMB million*
Registered, issued and fully paid				
— State-owned Shares of RMB 1.00 each *(a)*	**12,739**	**12,739**	12,739	12,739
— A Shares of RMB 1.00 each	**3,500**	**3,500**	3,500	3,500
— H Shares of RMB 1.00 each *(d)*	**2,871**	**2,871**	2,871	2,871
Including: H shares issued by the Company	**2,610**	**2,610**	2,610	2,610
H shares sold on behalf of the National Council for Social Security Fund ("NSSF")	**261**	**261**	261	261
	19,110	**19,110**	19,110	19,110

22. SHARE CAPITAL *(Continued)*

A summary of the movements in the Company's issued share capital is as follows:

	As at 31 December			
	2010		2009	
	Number of shares	**Nominal Value**	Number of shares	Nominal Value
	million	***RMB million***	*million*	*RMB million*
At beginning of the year *(b)*	**19,110**	**19,110**	13,000	13,000
Public offer of A Shares *(c)*	**—**	**—**	3,500	3,500
Public offer of H Shares *(d)*	**—**	**—**	2,610	2,610
At end of the year	**19,110**	**19,110**	19,110	19,110

(a) The 12,739 million state-owned shares comprise the following:

(i) 12,265 million shares are held by China Metallurgical Group Corporation;

(ii) 124 million shares are held by Baosteel Group Corporation;

(iii) 350 million shares were transferred to and are held by NSSF;

(b) 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. Baosteel purchased 130 million state legal person shares with a nominal value of RMB1.00 each for a cash consideration of RMB194,463,000.

(c) The Company's A Shares were listed on the Shanghai Stock Exchange on 21 September 2009. 3,500 million A Shares were issued at RMB5.42 per A Share with a nominal value of RMB1.00 each. The Company received net proceeds of approximately RMB18,359 million from the issuance of A Shares, of which paid-up share capital was RMB3,500 million and share premium was approximately RMB14,859 million (net of shares issue costs).

(d) The Company's H Shares were listed on the Main Board of Hong Kong Stock Exchange on 24 September 2009. 2,610 million H Shares were issued at HK$6.35 (equivalent to approximately RMB5.59) per H Share with a nominal value of RMB1.00 each. The Company received net proceeds of approximately HK$15,585 million (RMB 13,730 million) from the issuance H Shares, of which paid-up share capital was RMB2,610 million and share premium was approximately RMB11,120 million (net of shares issue costs). The Company also sold 261 million H Shares on behalf of NSSF.

23. RESERVES

Group

(See note 2.1)	Note	Capital premium RMB million	Other capital reserve RMB million	Available-for-sale investments RMB million	Translation differences RMB million	Other reserves RMB million	(Accumulated deficit)/ retained earnings RMB million	Total RMB million
At 1 January 2009 (As previously reported)		(11,027)	44	(7)	(10)	28	(33)	(11,005)
Adjustment for early adoption of amendment to IFRS 1 *(a)*		1,997	—	—	—	—	28	2,025
Business combination under common control *(a)*		—	29	—	—	—	—	29
At 1 January 2009 (As restated)		(9,030)	73	(7)	(10)	28	(5)	(8,951)
Profit for the year		—	—	—	—	—	4,425	4,425
Other comprehensive income:								
Fair value gains on available-for-sale financial assets, net of tax		—	—	219	—	—	—	219
Currency translation differences		—	—	—	(51)	—	—	(51)
Total comprehensive income/(expense) for the year		—	—	219	(51)	—	4,425	4,593
Transactions with owners								
Dividends	39	—	—	—	—	—	(1,875)	(1,875)
Transaction with non-controlling interests	22	—	(63)	—	—	—	—	(63)
Issue of new shares		27,461	—	—	—	—	—	27,461
Shares issue cost		(1,482)	—	—	—	—	—	(1,482)
Business combination under common control		—	(31)	—	—	—	—	(31)
Appropriations		—	—	—	—	159	(159)	—
Others		—	—	—	—	6	—	6
Total transactions with owners		25,979	(94)	—	—	165	(2,034)	24,016
At 31 December 2009 (As restated)		16,949	(21)	212	(61)	193	2,386	19,658

23. RESERVES *(Continued)*

Group *(Continued)*

(See note 2.1)	*Note*	Capital premium *RMB million*	Other capital reserve *RMB million*	Available-for-sale investments *RMB million*	Translation differences *RMB million*	Other reserves *RMB million*	(Accumulated deficit)/ retained earnings *RMB million*	Total *RMB million*
At 1 January 2010 (As previously reported)		15,073	(50)	212	(61)	193	2,392	17,759
Adjustment for early adoption of amendment to IFRS 1 *(a)*		1,876	—	—	—	—	(9)	1,867
Business combination under common control *(a)*		—	29	—	—	—	3	32
At 1 January 2010 (As restated)		16,949	(21)	212	(61)	193	2,386	19,658
Profit for the year		—	—	—	—	—	5,321	5,321
Other comprehensive income:								
Fair value gains on available-for-sale financial assets, net of tax		—	—	7	—	—	—	7
Currency translation differences		—	—	—	(56)	—	—	(56)
Total comprehensive income/(expense) for the year		—	—	7	(56)	—	5,321	5,272
Transactions with owners								
Transaction with non-controlling interests		—	(23)	—	—	—	—	(23)
Business combination under common control *(a)*		—	(39)	—	—	—	—	(39)
Appropriations		—	—	—	—	102	(102)	—
Others		—	—	—	—	(6)	—	(6)
Capital Contribution *(b)*		999	—	—	—	—	—	999
Total transactions with owners		999	(62)	—	—	96	(102)	931
At 31 December 2010		17,948	(83)	219	(117)	289	7,605	25,861

23. RESERVES *(Continued)*

Group *(Continued)*

(a) Business combination under common control and adjustment for early adoption of amendment to IFRS 1

The adjustments for the common control combination of WMTE, WEEC and WMCC and adjustment for early adoption of amendment to IFRS 1 (Note 2.1) on the Group's financial position as at 31 December 2010 and 31 December 2009 and the Group's results for the years ended 31 December 2010 and 2009 are summarised as follow:

	The Group before transferred subsidiary *RMB million*	Adjustment for early adoption of amendment to IFRS 1 *RMB million*	Transferred subsidiary *RMB million*	Consolidation adjustments *RMB million*	Year ended 31 December 2010 *RMB million*
Year ended 31 December 2010					
Revenue	205,626	—	889	(118)	206,397
Profit before income tax	8,629	(92)	6	—	8,543
Income tax expense	(2,977)	4	1	—	(2,972)
Profit for the year	5,652	(88)	7	—	5,571

	The Group before transferred subsidiary *RMB million*	Adjustment for early adoption of amendment to IFRS 1 *RMB million*	Transferred subsidiary *RMB million*	Consolidation adjustments *RMB million*	Year ended 31 December 2010 *RMB million*
At 31 December 2010					
Assets					
Non-current assets	70,955	2,180	92	—	73,227
Current assets	214,697	11	774	(488)	214,994
Total assets	285,652	2,191	866	(488)	288,221
Equity					
Capital and reserves					
Share capital	19,110	—	50	(50)	19,110
Reserves	24,042	1,796	(24)	47	25,861
	43,152	1,796	26	(3)	44,971
Non-controlling interests	8,135	403	—	3	8,541
Total equity	51,287	2,199	26	—	53,512
Liabilities					
Non-current liabilities	60,548	(8)	3	—	60,543
Current liabilities	173,817	—	837	(488)	174,166
Total liabilities	234,365	(8)	840	(488)	234,709
Total equity and liabilities	285,652	2,191	866	(488)	288,221

23. RESERVES *(Continued)*

Group *(Continued)*

(a) Business combination under common control and adjustment for early adoption of amendment to IFRS 1 *(Continued)*

	As previously reported *RMB million*	Adjustment for early adoption of amendment to IFRS 1 *RMB million*	Transferred subsidiary *RMB million*	Consolidation adjustments *RMB million*	As restated *RMB million*
Year ended 31 December 2009					
Revenue	165,018	—	2,399	(1,922)	165,495
Profit before income tax	6,782	(100)	6	—	6,688
Income tax expense	(1,544)	40	4	—	(1,500)
Profit for the year	5,238	(60)	10	—	5,188

	As previously reported *RMB million*	Adjustment for early adoption of amendment to IFRS 1 *RMB million*	Transferred subsidiary *RMB million*	Consolidation adjustments *RMB million*	As restated *RMB million*
At 31 December 2009					
Assets					
Non-current assets	53,469	2,267	144	—	55,880
Current assets	174,804	11	1,948	(802)	175,961
Total assets	228,273	2,278	2,092	(802)	231,841
Equity					
Capital and reserves					
Share capital	19,110	—	105	(105)	19,110
Reserves	17,759	1,867	(7)	39	19,658
	36,869	1,867	98	(66)	38,768
Non-controlling interests	6,823	419	—	66	7,308
Total equity	43,692	2,286	98	—	46,076
Liabilities					
Non-current liabilities	49,600	(8)	12	—	49,604
Current liabilities	134,981	—	1,982	(802)	136,161
Total liabilities	184,581	(8)	1,994	(802)	185,765
Total equity and liabilities	228,273	2,278	2,092	(802)	231,841

(b) This represented additional capital contribution from the Parent. The Parent is solely entitled to such reserve.

23. RESERVES *(Continued)*

Company

	Note	Capital reserve RMB million	Translation differences RMB million	Other reserves RMB million	Retained earnings/ (accumulated deficit) RMB million	Total RMB million
At 1 January 2009		6,516	1	28	—	6,545
Profit for the year		—	—	—	1,593	1,593
Other comprehensive income:		—	—	—	—	—
Currency translation differences		—	—	—	—	—
Total comprehensive income for the year		—	—	—	1,593	1,593
Transactions with owners						
Dividends		—	—	—	(1,875)	(1,875)
Issue of new shares		27,461	—	—	—	27,461
Shares issue cost, net		(1,482)	—	—	—	(1,482)
Appropriations		—	—	159	(159)	—
Total transactions with owners		25,979	—	159	(2,034)	24,104
At 31 December 2009		32,495	1	187	(441)	32,242
Profit for the year		—	—	—	1,458	1,458
Other comprehensive income:		—	—	—	—	—
Currency translation differences		—	1	—	—	1
Total comprehensive income for the year		—	1	—	1,458	1,459
Transactions with owners						
Dividends	39	—	—	—	—	—
Appropriations		—	—	102	(102)	—
Capital contribution *(a)*		999	—	—	—	999
Total transactions with owners		999	—	102	(102)	999
At 31 December 2010		33,494	2	289	915	34,700

The profit attributable to equity holders of the Company for the year ended 31 December 2010 is dealt with in the financial statements of the Company to the extent of profit of RMB1,458 million (2009: RMB1,593 million).

(a) This represented additional capital contribution from the Parent. The Parent is solely entitled to such reserve.

24. TRADE AND OTHER PAYABLES

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Trade payables	59,736	48,964
Other payables		
Accrued payroll and related expenses	1,934	1,341
Accrued expenses	694	477
Purchase deposits from customers	29,004	28,505
Deposits payable	4,193	3,408
Rental payable	297	308
Utilities payable	289	282
Repair and maintenance payable	393	440
Other taxes payable	3,395	2,364
Long-term payables due to third parties	2,574	5,861
Others	4,660	3,813
	47,433	46,799
Total trade and other payables	107,169	95,763
Less: Non-current portion:		
Other payables	(855)	(6,186)
Current portion	106,314	89,577

Please refer to Note 46 for the Group's trade and other payables to related parties.

As at 31 December 2010, long-term payables due to third parties are secured, bear interests at rates ranging from 4.80% to 4.97% per annum and repayable between 1 and 2 years.

The carrying amounts of the current portion of the Group's trade and other payables as at 31 December 2010 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 2010 is RMB808 million (2009: RMB5,874 million).

24. TRADE AND OTHER PAYABLES *(Continued)*

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Trade payables	**478**	368
Other payables		
Purchase deposits from customers	**160**	610
Other taxes payable	**(19)**	32
Interest payable	**451**	121
Amounts due to subsidiaries	**8,645**	11,299
Others	**70**	220
	9,307	12,282
Total trade and other payables — current portion	**9,785**	12,650

Please refer to Note 46 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	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Within 1 year	**47,145**	38,608
1 year to 2 years	**7,895**	7,412
2 years to 3 years	**3,030**	1,823
Over 3 years	**1,666**	1,121
	59,736	48,964

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Within 1 year	**438**	328
1 year to 2 years	**27**	17
2 years to 3 years	**5**	—
Over 3 years	**8**	23
	478	368

24. TRADE AND OTHER PAYABLES *(Continued)*

(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 2010 RMB million	2009 RMB million (See note 2.1)
RMB	**96,460**	88,948
US dollar	**6,845**	3,959
Others	**3,864**	2,856
	107,169	95,763

Company

	As at 31 December 2010 RMB million	2009 RMB million
RMB	**9,771**	12,623
US dollar	**4**	17
Others	**10**	10
	9,785	12,650

25. BORROWINGS

Group

	As at 31 December 2010 RMB million	2009 RMB million (See note 2.1)
Non-current		
Long-term bank borrowings		
— Secured *(a)*	**4,379**	3,940
— Unsecured	**23,552**	24,825
	27,931	28,765
Other long-term borrowings		
— Secured *(a)*	**—**	522
— Unsecured	**6,562**	3,592
— Debentures *(b(i))*	**18,182**	3,500
	24,744	7,614
Total non-current borrowings	**52,675**	36,379

25. BORROWINGS *(Continued)*

Group *(Continued)*

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Current		
Short-term bank borrowings		
— Secured *(a)*	**3,323**	4,123
— Unsecured	**18,995**	19,838
	22,318	23,961
Other short-term borrowings		
— Secured *(a)*	**—**	—
— Unsecured	**4,952**	703
— Debentures *(b(ii))*	**18,350**	—
	23,302	703
Current portion of long-term bank borrowings		
— Secured *(a)*	**717**	1,770
— Unsecured	**6,380**	1,674
	7,097	3,444
Current portion of other long-term borrowings		
— Secured *(a)*	**—**	3,500
— Unsecured	**532**	—
	532	3,500
Total current borrowings	**53,249**	31,608
Total borrowings	**105,924**	67,987

25. BORROWINGS *(Continued)*

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Non-current		
Long-term bank borrowings		
— Unsecured	**3,149**	10,225
Other long-term borrowings		
— Unsecured	—	1,000
— Debentures *(b(i))*	**18,182**	3,500
	18,182	4,500
Total non-current borrowings	**21,331**	14,725
Current		
Short-term bank borrowings		
— Unsecured	**3,268**	4,595
Other short-term borrowings		
— Unsecured	**850**	1,550
— Debentures *(b(ii))*	**18,400**	—
	19,250	1,550
Current portion of long-term bank borrowings		
— Unsecured	**2,263**	259
Total current borrowings	**24,781**	6,404
Total borrowings	**46,112**	21,129

(a) Secured borrowings were secured by the Group's property, plant and equipment (Note 6), land use rights (Note 7), and properties under development (Note 19).

25. BORROWINGS *(Continued)*

(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.

As approved by the National Association of Financial Market Institutional Investors, the Group issued its Tranche I Medium-Term Notes ("MTN") on 19 September 2010 at a discounted price of RMB9,982 million with a par value of RMB10,000 million, with a maturity of ten years from issuance and interest rate of 3.95% per annum with the issuer's redemption rights at the end of fifth year. If the Group does not exercise its redemption rights in the fifth year, the coupon rate of the MTN for the 6th year to the 10th year will increase to 5.09%.

The Group issued its Tranche II MTN on 15 November 2010 of RMB 4,700 million, with a maturity of five years from issuance and interest rate of 4.72% per annum.

(ii) As approved by the National Association of Financial Market Institutional Investors, the Group issued its Tranche I short-term debentures on 28 May 2010 at par value of RMB 4,000 million, with a maturity of one year from issuance. The debentures are unsecured, and bear interests at a fixed rate of 2.73% per annum, out of which RMB50 million was issued to a subsidiary of the Group.

The Group issued Tranche II short-term debentures on 17 September 2010 at par value of RMB 10,000 million, with a maturity of one year from issuance. The debentures are unsecured and bear interests at a rate of 2.97% per annum. Principal and interests are paid upon maturity date.

The Group issued Tranche III short-term debentures on 11 November 2010 at par value of RMB 4,400 million, with a maturity of one year from issuance. The debentures were unsecured and bear interests at a rate of 3.35% per annum. Principal and interests are paid upon maturity date.

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

Group

Lender	**As at 31 December** **2010** *RMB million*	2009 *RMB million* *(See note 2.1)*
Other state-owned enterprises (Defined in note 46)	**7,057**	2,014
Third parties	**4,989**	6,303
	12,046	8,317

Company

Lender	**As at 31 December** **2010** *RMB million*	2009 *RMB million*
Subsidiaries	**850**	2,550

25. BORROWINGS *(Continued)*

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

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
6 months or less	**45,428**	44,363
6 to 12 months	**34,800**	9,321
1 year to 5 years	**12,214**	10,795
Over 5 years	**13,482**	3,508
	105,924	67,987

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
6 months or less	**13,530**	17,629
6 to 12 months	**14,400**	—
1 year to 5 years	**4,700**	—
Over 5 years	**13,482**	3,500
	46,112	21,129

25. BORROWINGS *(Continued)*

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

Group

	As at 31 December			
	2010		2009	
	Bank borrowings *RMB million*	Other borrowings *RMB million*	Bank borrowings *RMB million* *(See note 2.1)*	Other borrowings *RMB million*
Within 1 year	29,415	23,834	27,393	4,215
1 year to 2 years	10,198	5,350	13,322	602
2 years to 5 years	13,460	5,900	12,997	3,500
Wholly repayable within 5 years	53,073	35,084	53,712	8,317
Over 5 years	4,273	13,494	2,458	3,500
	57,346	48,578	56,170	11,817

Company

	As at 31 December			
	2010		2009	
	Bank borrowings *RMB million*	Other borrowings *RMB million*	Bank borrowings *RMB million*	Other borrowings *RMB million*
Within 1 year	2,381	22,400	6,404	—
1 year to 2 years	70	—	6,149	—
2 years to 5 years	6,393	—	3,570	—
Wholly repayable within 5 years	8,844	22,400	16,123	—
Over 5 years	1,386	13,482	1,506	3,500
	10,230	35,882	17,629	3,500

25. BORROWINGS *(Continued)*

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

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
RMB	**100,125**	65,204
US dollar	**4,705**	2,780
Singapore dollar	**1,094**	3
	105,924	67,987

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
RMB	**44,209**	20,338
US dollar	**1,903**	791
	46,112	21,129

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

Group

	As at 31 December	
	2010	2009
Bank borrowings		
— RMB	**5.22%**	5.13%
— US dollar	**4.13%**	4.56%
— Singapore dollar	**2.13%**	3.89%
Other borrowings		
— RMB	**4.19%**	6.06%

Company

	As at 31 December	
	2010	2009
Bank borrowings		
— RMB	**5.33%**	4.88%
— US dollar	**4.05%**	4.32%
Other borrowings		
— RMB	**4.11%**	5.99%

25. BORROWINGS *(Continued)*

(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	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Fair value		
— Long-term bank borrowings	**27,815**	28,413
— Long-term other borrowings (excluding debentures)	**6,101**	3,919
— Debentures	**17,462**	3,355
	51,378	35,687

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 balance sheet date.

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Fair value		
— Long-term bank borrowings	**3,149**	10,225
— Other long-term borrowings (excluding debentures)	**—**	1,000
— Debentures	**17,462**	3,355
	20,611	14,580

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 balance sheet date.

26. DEFERRED INCOME

Group

(See note 2.1)	Government grants relating to research and development expenditure RMB million	Government grants relating to property, plant and equipment RMB million	Subsidies relating to housing relocation and demolition RMB million	Others RMB million	Total RMB million
At 1 January 2009	104	92	50	185	431
Additions	81	30	9	13	133
Decreases	(59)	(50)	(2)	(46)	(157)
At 31 December 2009	126	72	57	152	407
Additions	220	29	8	251	508
Decreases	(92)	(2)	(4)	(16)	(114)
At 31 December 2010	254	99	61	387	801

27. 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 group 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 group companies with respect to the state-managed retirement plans is to make the specified contributions.

The total cost charged to consolidated income statement during the year is as follows:

Group

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
Contributions to state-managed retirement plans	**1,160**	930

27. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS *(Continued)*

(a) State-managed retirement plans *(Continued)*

At the balance sheet date, the following amount had not been paid to the state-managed retirement plans:

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Amount due to state-managed retirement plans included in trade and other payables	**386**	234

(b) Early retirement and supplemental benefit obligations

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

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Present value of defined benefits obligations	**5,895**	6,356
Unrecognised actuarial gain	**320**	250
Liability arising from defined benefit obligations	**6,215**	6,606
Less: current portion	**(603)**	(665)
Non-current portion	**5,612**	5,941

27. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS *(Continued)*

(b) Early retirement and supplemental benefit obligations *(Continued)*

The movements of the Group's early retirement and supplemental benefit obligations over the year are as follows:

Group

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
At beginning of year	**6,606**	7,130
For the year		
— Interest costs *(Note 33)*	**231**	215
— Payment	**(628)**	(627)
— Actuarial gains *(Note 33)*	**(128)**	(112)
— Past service cost *(Note 33)*	**134**	—
At end of year	**6,215**	6,606

The above obligations were determined based on actuarial valuations performed by an independent qualified actuarial firm, Towers Perrin Consulting Company Limited (member 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	
	2010	2009
Discount Rate	**4.00%**	3.75%

(ii) Early-retirees' salary and supplemental benefits increase rate: 4.50%;

(iii) Medical cost trend rate: 8.00%;

(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.

28. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Group

(See note 2.1)	**Lawsuits** RMB million	**Warranties** RMB million	**Total** RMB million
At 1 January 2009	18	6	24
Additions	40	16	56
Utilised	(14)	(7)	(21)
At 31 December 2009	44	15	59
Additions	50	1	51
Utilised	(41)	(14)	(55)
At 31 December 2010	53	2	55

29. 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	
	2010 *RMB million*	2009 *RMB million* (See note 2.1)
Deferred income tax assets		
— Deferred tax assets to be recovered after more than 12 months	**1,703**	1,420
— Deferred tax assets to be recovered within 12 months	**458**	432
	2,161	1,852
Deferred income tax liabilities		
— Deferred tax liabilities to be recovered after more than 12 months	**(362)**	(391)
— Deferred tax liabilities to be recovered within 12 months	**(183)**	(241)
	(545)	(632)
Deferred income tax assets-net	**1,616**	1,220

29. DEFERRED INCOME TAX *(Continued)*

(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: *(Continued)*

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

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
At beginning of year	1,220	858
Attributable to acquisition of subsidiaries	(96)	—*
Credited to the consolidated income statement *(Note 36)*	313	385
Credited/(charged) to equity	164	(49)
Exchange differences	15	26
At end of the year	1,616	1,220

* Deferred income tax assets are less than RMB1 million.

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

Group

(See note 2.1)	**Provision for impairment of assets** *RMB million*	**Provision for retirement and other supplemental benefit obligations** *RMB million*	**Deductible tax loss** *RMB million*	**Unrealised profit on inter-company transactions** *RMB million*	**Supplementary pension** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Deferred tax assets							
At 1 January 2009	597	489	275	34	34	50	1,479
(Charged)/credited to the consolidated income statement	(15)	61	104	115	56	34	355
Credited directly to equity	—	—	—	—	—	18	18
At 31 December 2009	582	550	379	149	90	102	1,852
Credited/(charged) to the consolidated income statement	278	96	(350)	78	135	69	306
Credited directly to equity	—	—	—	—	—	3	3
At 31 December 2010	860	646	29	227	225	174	2,161

29. DEFERRED INCOME TAX *(Continued)*

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

Group

(See note 2.1)	**Change in fair value of financial assets** *RMB million*	**Fair value adjustments upon business combination** *RMB million*	**Others** *RMB million*	**Total** *RMB million*
Deferred tax liabilities				
At 1 January 2009	43	511	67	621
Charged/(credited) to the consolidated income statement	2	(13)	(19)	(30)
Charged/(credited) directly to equity	75	(8)	—	67
Exchange differences	—	(26)	—	(26)
At 31 December 2009	120	464	48	632
(Credited)/charged to the consolidated income statement	(11)	(3)	7	(7)
(Credited)/charged directly to equity	(1)	(162)	2	(161)
Exchange differences	—	(15)	—	(15)
Attributable to acquisition of subsidiaries	—	96	—	96
At 31 December 2010	108	380	57	545

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

	Year ended 31 December	
	2010 *RMB million*	2009 *RMB million*
Fair value reserves in equity:		
— Available-for-sale financial assets	**(1)**	75

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. As at 31 December 2010, the Group did not recognise deferred tax assets of RMB1,443 million (2009: RMB637 million) in respect of tax losses amounting to RMB5,772 million (2009: RMB2,547 million), as management believes it is more likely than not that such tax losses would not be realised before they expire.

30. OTHER INCOME

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Dividend income from available-for-sale financial assets *(a)*	**69**	52
Dividend income from financial assets at fair value through profit or loss *(a)*	**—**	1
Income from liabilities forgiven	**25**	64
Insurance reimbursement	**3**	1
Rental income	**171**	209
Government grants *(b)*	**580**	563
Others	**264**	65
	1,112	955

(a) Dividend income from listed investments for the year ended 31 December 2010 was RMB8 million (2009: RMB12 million), and dividend income from unlisted investments was RMB61 million (2009: RMB41 million).

(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.

31. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Financial assets at fair value through profit or loss *(Note 17)*:		
— Fair value gains	**—**	1
Net foreign exchange losses *(Note 35)*	**(215)**	(96)
Gain on disposal of subsidiaries	**56**	—
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition *(Note 41)*	**—**	110
Gain on disposal of property, plant and equipment	**10**	57
Gain on disposal of financial assets at fair value through profit or loss	**4**	—
Gain on disposal of held-to-maturity financial assets	**6**	—
Gain/(loss) on disposal of available-for-sale financial assets	**97**	(15)
Impairment loss for available-for-sale financial assets	**(2)**	—
Others	**23**	(18)
	(21)	39

32. EXPENSES BY NATURE

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Raw materials, purchased equipment and consumables used	**92,790**	62,411
Changes in inventories of finished goods and work-in-progress	**(23,563)**	(4,948)
Subcontracting charges	**89,922**	70,148
Employee benefits *(Note 33)*	**13,188**	10,980
Depreciation of property, plant and equipment *(Note 6)*	**1,723**	1,454
Fuel and heating expenditure	**716**	461
Business tax and other transaction taxes	**5,666**	4,197
Travelling expenses	**1,382**	1,134
Office expenses	**1,781**	1,528
Transportation costs	**796**	583
Operating lease rentals	**4,443**	4,284
Provision for impairment of trade and other receivables *(Note 16)*	**932**	771
Research and development costs	**1,794**	1,450
Repairs and maintenance	**1,045**	836
Advertising expenditure	**348**	193
Foreseeable losses/(reversal of foreseeable losses) on construction contracts	**65**	(58)
Amortisation of land use rights *(Note 7)*	**177**	166
Amortisation of mining rights *(Note 8)*	**39**	6
Depreciation of investment property *(Note 9)*	**35**	22
Amortisation of intangible assets *(Note 10)*	**119**	42
Insurance expenditure	**122**	81
Provision for/(reversal of) impairment on inventories *(Note 19)*	**158**	(14)
Professional and technical consulting fees	**657**	516
Provision for impairment of goodwill	**227**	15
Auditors' remuneration	**51**	55
Bank charges relating to operating activities	**220**	166
Provision for impairment of property, plant and equipment *(Note 6)*	**15**	—
Others	**2,006**	1,452
Total cost of sales, selling and marketing expenses and administrative expenses	**196,854**	157,931

33. EMPLOYEE BENEFITS

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Salaries, wages and bonuses, including restructuring costs and other termination benefits	**9,555**	8,050
Contributions to pension plans *(a)*	**1,160**	930
Early retirement and supplemental pension benefits *(Note 27 and b)*		
— interest cost	**231**	215
— actuarial gains	**(128)**	(112)
— past service cost	**134**	—
Housing benefits *(c)*	**420**	377
Welfare, medical and other expenses	**1,816**	1,520
	13,188	10,980

(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 year.

(b) Early retirement benefits are recognised in the consolidated income statement in the year 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 statement 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.

34. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Interest expense		
— Bank borrowings wholly repayable within 5 years	**3,667**	3,146
— Bank borrowings repayable over 5 years	**663**	248
— Other borrowings	**275**	551
	4,605	3,945
Less: Amounts capitalised in construction-in-progress *(a)*	**(495)**	(375)
Less: Amounts capitalised in properties under development *(b)*	**(1,326)**	(1,023)
	2,784	2,547
Net foreign exchange gains on borrowings *(Note 35)*	**(77)**	(8)
Discount charges on bank acceptance notes	**169**	82
Finance costs	**2,876**	2,621
Interest income on bank deposits	**(717)**	(542)
Interest income on held-to-maturity financial assets	**(1)**	(3)
Interest income on loans to related parties	**(75)**	(74)
Gain from debt restructuring	**(55)**	(74)
Others	**(1)**	(113)
Finance income	**(849)**	(806)
Finance costs, net	**2,027**	1,815

(a) Interest expenses were capitalised as construction-in-progress at the rate of 4.90% (2009: 5.07%) per annum for the year ended 31 December 2010.

(b) Interest expenses were capitalised as properties under development at the rate of 5.33% (2009: 6.51%) per annum for the year ended 31 December 2010.

35. NET FOREIGN EXCHANGE LOSSES

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

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
Other gains - net *(Note 31)*	**215**	96
Net finance costs *(Note 34)*	**(77)**	(8)
	138	88

36. 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 year.

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 25% on the assessable income of each of these companies during the year 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 year 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 statement represents:

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Current income tax:		
— PRC enterprise income tax	2,421	1,740
— Overseas taxation	10	7
	2,431	1,747
Deferred income tax *(Note 29)*	(313)	(385)
PRC land appreciation tax *(d)*	854	138
	2,972	1,500

36. TAXATION *(Continued)*

(a) Income tax expense *(Continued)*

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

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Profit before income tax	**8,543**	6,688
Tax calculated at the statutory tax rate of 25%	**2,136**	1,672
Effect of difference between applicable tax rate and statutory tax rate to Group companies	**(480)**	(484)
Tax losses for which no deferred income tax asset was recognised and reversal of deferred income tax assets on tax losses recognised before	**817**	317
Income not subject to taxation	**(54)**	(54)
Expense not deductible for tax purpose	**155**	240
Additional tax relief	**(151)**	(107)
Utilisation of previously unrecognised tax losses and other deferred tax assets	**(97)**	(192)
Effect of higher tax rate for the appreciation of land in the PRC	**641**	104
Others	**5**	4
Income tax expense	**2,972**	1,500

(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.

(d) PRC land appreciation tax

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

37. DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' and supervisors' emoluments

	Year ended 31 December	
	2010	2009
	RMB thousand	*RMB thousand*
Directors and supervisors		
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,305**	2,128
— Contributions to pension plans	**165**	155
— Discretionary bonuses	**2,555**	2,084
	5,025	4,367

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

(i) For the year ended 31 December 2010:

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. Jing Tianliang*	121	—	—	121
— Mr. Liu Benren*	61	—	—	61
— Mr. Wang Weimin	286	28	480	794
— Mr. Shen Heting	286	28	480	794
— Mr. Guo Wenqing	259	28	432	719
— Mr. Jiang Longsheng	149	—	—	149
— Mr. Wen Keqin	145	—	—	145
— Mr. Liu Li	150	—	—	150
— Mr. Chen Yongkuan	129	—	—	129
— Mr. Cheung Yukming	116	—	—	116
Supervisors				
— Mr. Han Changlin	259	28	432	719
— Mr. Peng Haiqing	162	28	305	495
— Mr. Shao Jinhui	182	25	426	633
	2,305	165	2,555	5,025

* Mr. Liu Benren retired on 9 March 2010 and Mr. Jing Tianliang was appointed on 29 June 2010.

37. DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(a) Directors' and supervisors' emoluments *(Continued)*

(ii) For the year ended 31 December 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	205	—	—	205
— Mr. Wang Weimin	273	26	341	640
— Mr. Shen Heting	273	26	341	640
— Mr. Guo Wenqing *	247	26	307	580
— Mr. Jiang Longsheng	130	—	—	130
— Mr. Wen Keqin	129	—	—	129
— Mr. Liu Li	131	—	—	131
— Mr. Chen Yongkuan	110	—	—	110
— Mr. Cheung Yukming*	57	—	—	57
Supervisors				
— Mr. Han Changlin	247	26	307	580
— Mr. Peng Haiqing	141	25	316	482
— Mr. Shao Jinhui	185	26	472	683
	2,128	155	2,084	4,367

* Mr. Guo Wenqing and Mr. Cheung Yukming were appointed on 19 June 2009.

37. DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

None of the Directors' and Supervisors' emoluments as disclosed in Note 37 (a) above was included in the emoluments paid to five highest paid individuals. The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Year ended 31 December	
	2010	2009
	RMB thousand	*RMB thousand*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**1,661**	308
Contributions to pension plans	**168**	117
Discretionary bonuses	**11,305**	9,530
	13,134	9,955

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

	Number of individuals Year ended 31 December	
	2010	2009
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	
HK$1,500,001 to HK$2,000,000	**—**	3
HK$2,000,001 to HK$2,500,000	**—**	1
HK$2,500,001 to HK$3,000,000	**3**	—
HK$3,000,001 to HK$3,500,000	**1**	—
HK$3,500,001 to HK$4,000,000	**—**	1
HK$4,000,001 to HK$4,500,000	**1**	—
HK$4,500,001 to HK$5,000,000	**—**	—
	5	5

38. EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the year ended 31 December 2010 and 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.

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Profit attributable to equity holders of the Company	**5,321**	4,425
Weighted average number of ordinary shares in issue *(million)*	**19,110**	14,669
Basic earnings per share *(RMB)*	**0.28**	0.30

(b) Diluted

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

39. DIVIDENDS

At the board meeting held from 29 March to 31 March 2011, the Directors recommended the payment of a final dividend of RMB0.047 per ordinary share, totalling RMB898 million. Such dividend is to be approved by the Shareholders at the 2010 AGM. This recommended dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

For the year ended 31 December 2009, dividends declared to its then equity holders prior to the listing of the Company, the Parent and Baosteel Group Corporation by the Company were RMB 1,875 million.

40. CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Profit for the year	**5,571**	5,188
Adjustments for:		
— Income tax expense	**2,972**	1,500
— Share of profit from associates	**(134)**	(85)
— Fair value gains on financial assets at fair value through profit or loss	**—**	(1)
— Gains on disposal of subsidiaries	**(56)**	—
— (Gains)/Losses on liquidation of subsidiaries	**(5)**	35
— Excess of fair value of the share of the identifiable net assets acquired over the cost of acquisition	**—**	(110)
— (Gains)/losses on disposal of available-for-sale financial asset	**(97)**	15
— Gains on disposal of held-to-maturity financial asset	**(6)**	—
— Net gains on disposal of property, plant and equipment	**(10)**	(57)
— Dividends income on available-for-sale financial assets	**(69)**	(52)
— Dividends income on financial assets at fair value through profit or loss	**—**	(1)
— Provision for impairment of available-for-sale financial assets	**2**	—
— Gains on debt restructuring	**(55)**	(74)
— Interest income	**(794)**	(732)
— Interest expense	**2,953**	2,629
— Net foreign exchange gains on borrowings	**(77)**	(8)
— Exchange losses/(gains) on cash and cash equivalents	**160**	(19)
— Provision for impairment of trade and other receivables	**932**	771
— Provision for/(reversal of) impairment of inventories	**158**	(14)
— Provision for impairment of investment in associates	**8**	4
— Provision for impairment of intangible assets	**227**	15
— Provision for impairment of properties, plant and equipment	**15**	—
— Provision for impairment of other assets	**14**	—
— Depreciation of property, plant and equipment	**1,723**	1,454
— Depreciation of investment properties	**35**	22
— Amortisation of land use rights	**177**	166
— Amortisation of intangible assets	**119**	42
— Amortisation of mining rights	**39**	6
— Amortisation of government grants	**(116)**	(158)
— Amortisation of other non-current assets	**25**	13
— Foreseeable losses/(reversal of foreseeable losses) on construction contracts	**65**	(58)
— Income from liabilities forgiven	**(25)**	(64)
— Other exchange losses	**55**	115
Cash flows from operating activities before changes in working capital	**13,806**	10,542

40. CASH GENERATED FROM OPERATIONS *(Continued)*

	Year ended 31 December 2010 RMB million	2009 RMB million (See note 2.1)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Inventories, property under development and completed properties held for sale	**(22,597)**	(3,992)
— Trade and other receivables	**(22,808)**	(11,309)
— Contract work-in-progress	**(5,612)**	(9,309)
— Early retirement and other supplemental benefit obligations	**(391)**	(564)
— Trade and other payables	**14,381**	8,902
— Provisions	**(4)**	35
— Financial assets at fair value through profit or loss	**301**	(298)
— Government grants	**13**	172
— Interest received	**780**	660
Cash used in operations	**(22,131)**	(5,161)

41. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS

Equity interests in certain subsidiaries now comprising the Group were acquired from third parties. 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 2010

For the year ended 31 December 2010, the Group acquired equity interests in the following companies:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration *RMB million*
Tibet Huayi Trade Industry Co., Ltd.	28 February 2010	100%	387
Zhuhai Mingye Computer Software Development Co., Ltd.	27 April 2010	100%	27
			414

41. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) For the year ended 31 December 2010 *(Continued)*

The acquired businesses contributed revenue of RMB33 million and loss of RMB45 million to the Group for the period from the respective acquisition dates to 31 December 2010.

If the acquisitions had occurred on 1 January 2010, the Group's revenue for the period would have been RMB206,397 million and profit for the period would have been RMB5,569 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 2010, together with the consequential tax effects.

	RMB million
Cash consideration	27
Fair value of trade receivables held before the business combination	387
	414

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

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

41. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) For the year ended 31 December 2009

For the year ended 31 December 2009, the Group acquired equity interests in the following companies:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration
			RMB million
Zhongaoxin Real Estate Co., Ltd.	23 March 2009	100%	18
Changchun Jingcheng Machinery Co., Ltd.	8 April 2009	55%	—*
Tianjin Binhai Jintang Construction & Development Co., Ltd.	22 June 2009	90%	90
Humen Dongguan City Sky-Scraping Building Materials Co., Ltd.	1 July 2009	65%	—
Huludao Tongxin Technology Co., Ltd.	1 July 2009	100%	—
Baotou MCC Real Estate Co., Ltd.	1 September 2009	60%	36
Wuhan Huaxia Jingchong Technology Co., Ltd.	25 September 2009	68%	27
Hunan Yifu Real Estate Co., Ltd	31 October 2009	100%	30
Hubei Tianchenghuamei Real Estate Development Co., Ltd.	24 November 2009	100%	54
			255

* Cash consideration is less than RMB1 million

The acquired businesses contributed revenue of RMB594 million and loss of RMB2 million to the Group for the period from the respective acquisition dates to 31 December 2009.

If the acquisitions had occurred on 1 January 2009, the Group's revenue for the period would have been RMB165,525 million and profit for the period would have been RMB5,185 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.

41. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) For the year ended 31 December 2009 *(Continued)*

	RMB million
Cash consideration	255
Fair value of trade receivables held before the business combination	10
	265

	RMB million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	301
Property, plant and equipment	35
Inventories	242
Trade and other receivables	202
Deferred income tax assets	—*
Trade and other payables	(266)
Total identifiable net assets	514
Non-controlling interest in acquirees	(140)
Goodwill	1
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition *(Note 31)*	(110)
	265

* Deferred income tax assets is less than RMB1 million

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.

42. DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 December 2010

For the year ended 31 December 2010, the Group disposed of equity interests in the following companies:

Company name	Disposal date	Percentage of equity interests disposed	Sales Proceeds
			RMB million
Hunan Changxin Construction Examination Consulting Co.,Ltd	31 March 2010	100%	3
Qinhuangdao Bowan Real Estate Development Co., Ltd	24 December 2010	100%	61
			64

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

	RMB million
Sales proceeds - cash received	64
Less: Net assets disposed - as shown below	(8)
Gain on disposal	56

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) For the year ended 31 December 2010 *(Continued)*

The effect of the disposal is as follows:

	RMB million
Cash and cash equivalents	7
Inventories	280
Trade and other payables	(279)
Net assets	8
Non-controlling interests	—
Net assets disposed	8
Sales proceeds	64
Less: Cash and cash equivalents of subsidiaries disposed	(7)
Net cash inflow on disposal of subsidiaries	57

(b) For the year ended 31 December 2009

There were no significant disposals during the year ended 31 December 2009.

43. FINANCIAL GUARANTEE

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

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Outstanding guarantees *(i)*		
— Third parties	**288**	1,646
— Related parties	**100**	—
	388	1,646

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Outstanding guarantees *(ii)*		
— Subsidiaries	**20,885**	26,427
— Third parties	**—**	783
	20,885	27,210

(i) The Group has acted as the guarantor mainly for various external borrowings made by 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.

(iii) The Company considers that the fair value of these contracts at the date of inception was not material, the repayment was on schedule and risk of default in payment was remote. Therefore no provision has been made in the financial statements for the guarantees.

44. CONTINGENCIES

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Pending lawsuits/arbitrations	**318**	462

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision as set out in Note 28 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.

45. COMMITMENTS

(a) Capital commitments

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Contracted but not yet incurred		
— Property, plant and equipment	**29,294**	32,432
— Land use rights	**10,017**	—
— Mining rights	**4,945**	5,434
— Intangible assets	**805**	505
Total	**45,061**	38,371

(b) Investment commitments

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Investment commitments	**—**	661

45. COMMITMENTS *(Continued)*

(c) Operating leasing commitments

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

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Less than 1 year	**30**	4
1 year to 5 years	**58**	9
Over 5 years	**23**	29
Total	**111**	42

46. RELATED PARTY DISCLOSURES

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

In accordance with IAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group (collectively referred as the "other state-owned enterprises"). On that basis, related parties include the Parent and its subsidiaries, other state-owned enterprises and their subsidiaries, other entities and corporations in which the Group is able to control or exercise significant influence and key management personnel of the Company and the Parent as well as their close family members. For the purpose of the related party transaction disclosures, the Group early adopted IAS 24 (Revised) (Note 2.2(b)), and management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year and balances as at 31 December 2010 arising from related party transactions.

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

46. RELATED PARTY DISCLOSURES *(Continued)*

(a) Significant related party transactions

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

With Parent and fellow subsidiaries

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Sales of goods or provision of services	**2,927**	574
Purchases of goods or services	**193**	63
Rental income	**—**	3
Rental expense	**53**	20
Interest expense	**—**	3

With associates

	Year ended 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Sales of goods or provision of services	**154**	148
Purchases of goods or services	**57**	45
Loans to associates	**—**	208
Guarantees provided to associates	**100**	50
Interest income	**105**	74

Impairment charges of receivables due from associates amounting to RMB nil (2009: RMB2 million) were recognised as expense for the year ended 31 December 2010.

46. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties

(i) Trade and other receivables

Group

	As at 31 December	
	2010 *RMB million*	2009 *RMB million* *(See note 2.1)*
Trade receivables due from		
— Parent and fellow subsidiaries	576	143
— Associates	17	23
Less: provision for impairment	—	(1)
	593	165
Other receivables due from		
— Parent and fellow subsidiaries	30	146
— Associates	1,095	1,072
Less: provision for impairment	(3)	(2)
	1,122	1,216
	1,715	1,381

As at 31 December 2010, loans to associates of RMB728 million (2009: RMB1,022 million) included in other receivables due from associates bear interests at rates ranging from 5.29% to 8.25% (2009: 5.31%–8.22%) per annum with loan periods from 1 year to 2 years. Loans to associates are unsecured.

Other than loans to associates, other receivables due from Parent and fellow subsidiaries, associates are unsecured, interest free and repayable on demand.

Company

	As at 31 December	
	2010 *RMB million*	2009 *RMB million*
Trade receivables due from subsidiaries	381	1,033
Other receivables due from subsidiaries	37,502	13,752
	37,883	14,785

Other receivables of RMB36,531 million are mainly loans to subsidiaries bearing interests at rates ranging from 3.15% to 7.47% per annum with loan period within 1 year and from 1 to 8 year.

Other than the above balance, other receivables due from subsidiaries are unsecured, interest free and repayable on demand.

46. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties *(Continued)*

(ii) Trade and other payables

Group

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
		(See note 2.1)
Trade payables due to		
— Parent and fellow subsidiaries	**27**	72
— Associates	**17**	47
	44	119
Other payables due to		
— Parent and fellow subsidiaries	**124**	93
— Associates	**5**	8
	129	101
	173	220

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

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
Trade payables due to subsidiaries	**376**	119
Other payables due to subsidiaries	**8,645**	11,299
	9,021	11,418

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

46. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties *(Continued)*

(iii) Borrowings

Company

	As at 31 December	
	2010	2009
	RMB million	*RMB million*
— Subsidiaries	**850**	2,550

The Company's borrowings from subsidiaries as at 31 December 2010 are unsecured, bear interest at 4.78% (2009: 4.81%) per annum and repayable in December 2011 (2009: September 2011).

(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	
	2010	2009
	RMB thousand	*RMB thousand*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**3,391**	3,337
Contributions to pension plans	**305**	285
Discretionary bonuses	**4,609**	3,585
	8,305	7,207

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

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

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

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) Subsidiaries

As at 31 December 2010, the Group had direct and indirect equity interests in the following principal subsidiaries:

Company Name	Place of incorporation	Type of legal entities	Issued / paid-in capital *Million*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Non-listed companies -						
Central Research Institute of Building and Construction Co., Ltd., MCC Group	PRC	Limited liability company	RMB1,517	100%	—	Design, research, engineering and construction/PRC
Beijing MCC Equipment Research & Design Corporation Ltd.	PRC	Limited liability company	RMB345	100%	—	Design, research, engineering and construction/PRC
China Enfi Engineering Co., Ltd.	PRC	Limited liability company	RMB800	100%	—	Design, engineering, procurement and construction/PRC
Cheng Du Surveying Geotechnical Research Institute Co., Ltd. of MCC	PRC	Limited liability company	RMB46	100%	—	Surveying and design/PRC
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	PRC	Limited liability company	RMB166	100%	—	Surveying and design/PRC
China Second Metallurgical Construction Group Corporation Limited	PRC	Limited liability company	RMB683	100%	—	Engineering and construction/PRC
MCC Tongsin Resources LTD.	British Virgin Islands	Limited liability company	USD12.5	100%	—	Resource development/overseas
MCC Overseas Ltd.	PRC	Limited liability company	RMB80	100%	—	Engineering and construction/PRC
MCC International Engineering Technology Co., Ltd.	PRC	Limited liability company	RMB83	100%	—	Engineering and construction/PRC
MCC Mining (Western Australia) Pty Ltd.	Australia	Limited liability company	AUD20	100%	—	Resource development/overseas
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	PRC	Limited liability company	RMB100	100%	—	Design and services/PRC
Chongqing Iron and Steel Designing Institute Co., Ltd.	PRC	Limited liability company	RMB866	100%	—	Design and services/PRC
Wuhan Iron and Steel Design & Research Incorporation Limited	PRC	Limited liability company	RMB63	100%	—	Design and services/PRC
MCC Maanshan I & S Design and Research Institute Co., Ltd.	PRC	Limited liability company	RMB61	100%	—	Design and services/PRC
BERIS Group Corporation	PRC	Limited liability company	RMB454	100%	—	Design and services/PRC

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(a) Subsidiaries *(Continued)*

Company Name	Place of incorporation	Type of legal entities	Issued / paid-in capital *Million*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Non-listed companies -						
Anshan Coking and Refractory Engineering Consulting Corporation	PRC	Limited liability company	RMB97	100%	—	Design and services/PRC
Anshan Engineering & Research Incorporation of Metallurgical Industry	PRC	Limited liability company	RMB69	100%	—	Design and services/PRC
Changsha Metallurgical Design & Research Institute Co., Ltd.	PRC	Limited liability company	RMB167	100%	—	Design and services/PRC
Wuhan Research Institute of Metallurgical Construction Co, Ltd.	PRC	Limited liability company	RMB100	100%	—	Design and services/PRC
Shenyang Institute of Geotechnical Investigation Corporation MCC	PRC	Limited liability company	RMB98	100%	—	Surveying and design/PRC
China MCC 3 Group Co., Ltd	PRC	Limited liability company	RMB614	100%	—	Engineering and construction/PRC
China MCC 5 Group Co., Ltd.	PRC	Limited liability company	RMB701	99%	—	Engineering and construction/PRC
China 13th Metallurgical Construction Corporation	PRC	Limited liability company	RMB112	100%	—	Engineering and construction/PRC
China No.18 Metallurgical Construction Co., Ltd.	PRC	Limited liability company	RMB291	100%	—	Engineering and construction/PRC
China MCC 19 Group Co., Ltd.	PRC	Limited liability company	RMB1,619	100%	—	Engineering and construction/PRC
China 22 MCC Group Co., Ltd.	PRC	Limited liability company	RMB1,156	100%	—	Engineering and construction/PRC
China Huaye Group Co., Ltd.	PRC	Limited liability company	RMB316	100%	—	Engineering and construction/PRC
MCC Tiangong Group Corporation Limited	PRC	Limited liability company	RMB825	99%	—	Engineering and construction/PRC
MCC Huaye Resources Development Co., Ltd.	PRC	Limited liability company	RMB291	100%	—	Engineering and construction/PRC
CCTEC Engineering Co., Ltd.	PRC	Joint stock company	RMB121	100%	—	EPC/PRC

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(a) Subsidiaries *(Continued)*

Company Name	Place of incorporation	Type of legal entities	Issued / paid-in capital *Million*	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
Non-listed companies -						
MCC Great Land United Consulting and Engineering Co., Ltd.	PRC	Limited liability company	RMB20	90%	—	Technical services/PRC
MCC Capital Engineering & Research Incorporation Limited	PRC	Limited liability company	RMB2,047	87%	—	EPC/PRC
MCC Hi-Tech Engineering Co., Ltd.	PRC	Limited liability company	RMB436	100%	—	Engineering and construction/PRC
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	PRC	Limited liability company	RMB298	86%	—	EPC/PRC
WISDRI Engineering & Research Incorporation Limited	PRC	Limited liability company	RMB1,555	85%	—	EPC/PRC
Northern Engineering & Technology Corporation, MCC	PRC	Limited liability company	RMB304	91%	—	EPC/PRC
Shanghai Baoye Group Corp., Ltd.	PRC	Limited liability company	RMB474	89%	1%	Engineering and construction/PRC
Huatian Engineering & Technology Corporation, MCC	PRC	Limited liability company	RMB307	85%	—	EPC/PRC
Zhong Ye Chang Tian International Engineering Co., Ltd.	PRC	Limited liability company	RMB230	92%	—	EPC/PRC
China First Metallurgical Group Co., Ltd.	PRC	Limited liability company	RMB411	90%	—	Engineering and construction/PRC
MCC Xiangxi Mining Co., Ltd.	PRC	Limited liability company	RMB24	50%	—	Resource development/PRC
MCC (GuangXi) Mawu expressway construction & development Co., Ltd.	PRC	Limited liability company	RMB6,135	100%	—	Infrastructure investment/PRC
CISDI Engineering Co., Ltd.	PRC	Joint stock company	RMB1,143	73%	—	EPC/PRC
China Metallurgical Construction Co., Ltd.	PRC	Limited liability company	RMB442	90%	10%	Engineering and construction/PRC
Shen Kan Engineering & Technology Corporation, MCC	PRC	Limited liability company	RMB23	100%	—	EPC/PRC

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(a) Subsidiaries *(Continued)*

Company Name	Place of incorporation	Type of legal entities	Issued / paid-in capital *Million*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Non-listed companies -						
China MCC 17 Group Co., Ltd.	PRC	Limited liability company	RMB712	67%	—	Engineering and construction/PRC
MCC Minera Sierra Grande S.A.	Argentina	Limited liability company	ARP70	70%	—	Resource development/overseas
China MCC 20 Group Co., Ltd.	PRC	Limited liability company	RMB895	69%	—	Engineering and construction/PRC
MCC Finance Corporation Ltd.	PRC	Limited liability company	RMB1,500	86%	14%	Financial management services/PRC
MCC-JJJ Mining Development Company Limited	PRC	Limited liability company	RMB1,662	61%	—	Resources development/PRC
MCC Baosteel Technology Services Co., Ltd.	PRC	Limited liability company	RMB392	60%	23%	Maintenance services/PRC
MCC Real Estate Group Co., Ltd.	PRC	Limited liability company	RMB2,141	90%	10%	Property development/PRC
China MCC International Economic and Trade Co., Ltd.	PRC	Limited liability company	RMB120	55%	45%	Trading services/PRC
MCC Communication Engineering Technology Co., Ltd.	PRC	Limited liability company	RMB387	75%	25%	Infrastructure engineering and construction/PRC
MCC Huludao Nonferrous Metals Group Co., Ltd.	PRC	Limited liability company	RMB1,661	51%	—	Non-ferrous processing/PRC
Ramu NiCo Management (MCC) Limited	Papua New Guinea	Limited liability company	—(1)	100%	—	Nico mineral mining and smelting/overseas
MCC Australia Holding Pty Ltd.	Australia	Limited liability company	AUD10	100%	—	Resources development/overseas

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

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(b) Associates

As at 31 December 2010, the Group had equity interests in the following principal associates (all are unlisted):

Company Name	Place of incorporation	Type of legal entities	Issued / paid-in capital *million*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Nanjing Ming's Culture Co., Ltd.	PRC	Limited liability company	RMB610	49%	—	Culture/PRC
Shanghai MCC Shinton Investment Co., Ltd.	PRC	Limited liability company	RMB300	33%	—	Investment Services/PRC
Tianjin SERI Machinery Equipment Corporation Ltd.	PRC	Limited liability company	RMB210	50%	—	Equipment fabrication /PRC
New Century Hotel Co., Ltd.	PRC	Limited liability company	RMB72	60%	—	Hotel Services/PRC

The English names of certain subsidiaries and 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.

48. 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 State-owned Assets Supervision and Administrative Commission of the State Council.

49. EVENTS AFTER THE YEAR END

China First Metallurgical Group Co., Ltd ("First Metallurgical"), a subsidiary of the Company, undertakes engineering and construction projects in the Great Socialist People's Libyan Arab Jamahiriya ("Libya"). As of 31 December 2010, assets located in Libya recorded in the books of First Metallurgical were approximately RMB221 million. In February 2011. there were substantial changes to the security situation in Libya. As the situation in Libya remains uncertain , all projects in Libya of First Metallurgical have been suspended.

The Group has organised evacuation of the Group's employees from Libya under the united arrangement of the PRC government. Given the uncertain situation in Libya, the Group will monitor the development of the above projects and the impact on the financial outcome closely.

50. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2011.

Other Financial Information

FINANCIAL HIGHLIGHTS PREPARED UNDER IFRS

Consolidated Operating Results

	2010 (RMB million)	2009 (As restated) (RMB million)	2008 (RMB million)	2007 (RMB million)	2006 (RMB million)
Revenue	**206,397**	165,495	157,887	125,056	91,706
Cost of sales	**(185,635)**	(149,686)	(145,595)	(112,085)	(82,103)
Gross profit	**20,762**	15,809	12,292	12,971	9,603
Selling and marketing expenses	**(1,530)**	(1,043)	(928)	(709)	(530)
Administrative expenses	**(9,689)**	(7,202)	(6,566)	(5,786)	(5,072)
Other income	**1,112**	955	1,064	587	347
Other gains — net	**(21)**	39	525	1,390	126
Other expenses	**(198)**	(140)	(85)	(98)	(64)
Operating profit	**10,436**	8,418	6,302	8,355	4,410
Finance income	**849**	806	548	382	452
Finance costs	**(2,876)**	(2,621)	(3,005)	(1,317)	(1,030)
Share of profits of associates	**134**	85	120	70	26
Profit before income tax	**8,543**	6,688	3,965	7,490	3,858
Income tax expense	**(2,972)**	(1,500)	(840)	(1,698)	(651)
Profit for the year	**5,571**	5,188	3,125	5,792	3,207
Attributable to:					
Equity holders of the Company	**5,321**	4,425	3,150	3,855	1,920
Non-controlling interests	**250**	763	(25)	1,937	1,287
Earnings per share for profit attributable to the equity holders of the Company					
— Basic earnings per share *(RMB)*	**0.28**	0.30	0.24	0.30	0.15
— Diluted earnings per share *(RMB)*	**0.28**	0.30	0.24	0.30	0.15
Dividends	**898**	1,875	256	34	—

The consolidated total assets and total liabilities of the Company as at 31 December 2006, 2007, 2008, 2009 and 2010 are summarised as below:

	2010 *RMB million*	2009 (As restated) *RMB million*	2008 *RMB million*	2007 *RMB million*	2006 *RMB million*
Total assets	**288,221**	231,841	170,918	140,723	90,643
Total liabilities	**234,709**	185,765	163,290	134,248	88,389
Net assets	**53,512**	46,076	7,628	6,475	2,254

Definitions and Glossary of Technical Terms

DEFINITIONS

2009 AGM	the annual general meeting of the Company convened on 29 June 2010
2010 AGM	the annual general meeting of the Company to be held on 17 June 2011
Ansteel	Anshan Iron and Steel Group Corporation and, except where the context otherwise requires, all of its associates
Articles of Association	Articles of Association of Metallurgical Corporation of China Ltd.*
A Shares	the domestic shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
A Share Prospectus	the prospectus of the Company in relation to the A Share Offering dated 18 September 2009
Baosteel or Baosteel Group	Baosteel Group Corporation and, except where the context otherwise requires, all of its associates
Board	the board of Directors of the Company
China or PRC	the People's Republic of China, excluding, for purposes of this document only, Hong Kong, Macao and Taiwan
controlling shareholder	has the meaning ascribed thereto under the Hong Kong Listing Rules
Corporate Governance Code	the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules
CSRC	the China Securities Regulatory Commission
Director(s)	the director(s) of the Company, including all executive, non-executive and independent non-executive Directors
H Shares	the overseas listed foreign invested shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
H Share Prospectus	the prospectus of the Company in relation to the H Share offering dated 11 September 2009
HK$ or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong

Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards promulgated by the International Accounting Standards Board, which include the International Accounting Standards
independent Director or independent non-executive Director	a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company's affairs
MCC, our Company, the Company, we or us	means Metallurgical Corporation of China Ltd.*, a joint stock limited company with limited liability incorporated under the laws of the PRC on 1 December 2008 and, except where the context otherwise requires, all of its subsidiaries or, where the context refers to any time prior to its incorporation, the businesses which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it pursuant to the Parent Reorganization
Ministry of Communications	the former Ministry of Communications of the People's Republic of China, the predecessor of the Ministry of Transport
MOF	the Ministry of Finance of the People's Republic of China
MOHURD	the Ministry of Housing and Urban-Rural Development of the People's Republic of China
NDRC	the National Development and Reform Commission of the People's Republic of China
Pansteel	Pansteel Group Corporation and, except where the context otherwise requires, all of its associates
Parent	China Metallurgical Group Corporation
Parent Group	China Metallurgical Group Corporation and its subsidiaries

PRC GAAP	the PRC Accounting Standard and Accounting Regulation for Business Enterprises and its supplementary regulations
Renminbi or RMB	Renminbi, the lawful currency of the PRC
Reporting Period	from 1 January 2010 to 31 December 2010
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
SFO or Securities and Futures Ordinance	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shanghai Stock Exchange	the Shanghai Stock Exchange
Shareholder	holder(s) of share(s) of the Company
State Council	the State Council of the People's Republic of China
Supervisor	the supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of the Metallurgical Corporation of China Ltd.*
US$ or U.S. dollars	United States dollars, the lawful currency of the United States

GLOSSARY

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

exploration	activity to prove the location, volume and quality of a mineral occurrence
crude steel	steel product formed upon the earliest stage of solidification, including intermediary products of steel ingots and continuously cast steel slabs
design	application of engineering theories and techno-economic approaches, based on the prevailing technical standards, for conducting all-round design (including requisite non-standardized equipment design) and technoeconomic analysis on newly constructed, expansion and reconstruction projects in respect of their technical process, land construction, civil works and environmental works; provision of design papers and blueprints as the basis for construction work
electric furnace	a furnace that is generally used for smelting, heating or heat-treating steel, steel alloys and non-ferrous metal with high-temperature heat generated by an electric arc
EP	Design-procurement mode in the field of engineering and construction
EPC, EPC contracting	commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be responsible for the quality, safety, timely delivery and cost of the project
EPCM	design, procurement and construction management, which refer to the design, procurement and construction management services provided by contractors to property owners. Construction company enters into contracts with property owners directly and provide construction service. Contractors usually manage such construction service on behalf of property owners. In such case, property owners are mainly responsible for project management, and cost and risk control
iron making	the process to extract metallic iron from iron-containing minerals (mainly ferriferous oxide), including the blast furnace process, direct reduction process, smelt reduction process and plasma process
continuous casting	a technique whereby molten steel is directly cast into steel of specific shapes without cooling, which has significant advantages over traditional casting techniques and increases yield and casting quality and saves energy

Luban Award	the PRC Construction and Engineering Luban Award (National Excellent Projects), which is the highest award for outstanding quality in engineering work in the construction industry in the PRC under two categories, namely, main contractor and key participants, and is assessed by the China Construction Industry Association annually
mineral resources	a concentration or occurrence of minerals of intrinsic economic interest in or on the earth's crust in such form, quality and quantity such that there are reasonable prospects for eventual economic extraction
non-ferrous metals	refers to the group of metals other than ferrous metals (iron, manganese and chromium)
ore	the portion of a reserve from which a metal or valuable metal can be extracted profitably under current or immediately foreseeable economic conditions
commercial concrete	a substitute of concrete with the same price, the industrial production of which, featured by environment-friendly centralized mixing, is popular and professional; it boasts advantages in shortening the production time, reducing energy consumption, saving raw materials, being applicable for additives, improving the utilization rate of equipment and improving the regulation and control of product quality
pig iron	the iron material extracted from the sintered ores or other iron ores in the iron smelting process
Science and Technology Advancement Award	this award recognizes achievements in various industries involving the development of new products and technologies, promotion of new technology applications, industrialization of advanced technologies, reform and enhancement of corporate technologies, advancement of technologies, key construction work, key equipment research and development, absorption of new foreign technologies, or in-house development of innovative technologies at national and provincial levels; recipients of national Science and Technology Advancement Awards are determined by the relevant departments of the State Council annually, while recipients of provincial Science and Technology Advancement Awards are determined by the Departments of Science and Technology in the respective provinces
sintering	a process whereby iron-bearing materials in the form of powder or grains are evenly mixed with a solvent and burned in a sintering machine to produce ores in certain shapes; the sinter so produced is one of the major raw materials used for iron making in a blast furnace
smelting	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed in ores

social welfare housing	social welfare housing provided by the government to medium- and low-income households with certain restrictions on the eligibility of applicants, construction standards, selling price or rent standards, including, but not limited to, dually restricted commodity housing (with restrictions on price and size), economically affordable housing, policy-based rental housing and low-rent housing
steel making	the process whereby impurities in pig iron and scrap steel are oxidized and removed to an appropriate degree, followed by the addition of iron alloys, to produce a material with appropriate amounts of carbon and constituent elements of the alloys
steel rolling	a process whereby a rolling mill is used to turn billets and slabs into steel products of various kinds
steel structure	a structure composed of various steel materials connected with each other through welding or bolted joints, which is widely used in industry, civil construction, railways, highways, bridges, power station structural frames, power transmission tower structures, television broadcasting towers, offshore oil platforms, gas pipes, urban infrastructure, national defense construction, and other areas
survey	survey, explore, test and undertake overall assessment on landscape, geology and water for planning, design, implementation, operations and integrated management of a project; provide feasibility assessment and required information on the exploration results for construction; and carry out exploration, design, management and monitoring activities in rock engineering

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