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

ANNUAL REPORT 2011

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.

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President's Statement

Shen Heting
President and
Executive Director

In 2011, the global economy structure and competition landscape confronted profound changes while China's economy faced challenging situations. However, backed up with the constant care and support from investors and friends from all circles and the unremitting efforts of our staff, MCC had taken a solid step forward. Hence, I would like to express my most cordial regard and deepest gratitude to everyone on behalf of all our staff.

Over the past year, MCC adhered to the concept of scientific development and embraced the core objective of developing itself into the world's top class enterprise with strengthened international competitiveness. To this end, the Company vigorously promoted the strategies in terms of transformation and upgrade, technical innovation, international operation, thriving enterprise through talent management as well as harmonious development. Furthermore, it strived to realize efficient transformation through deepened reform and restructuring, strengthened innovation on management and differentiated development mode. Despite the grave challenges posed by the global financial crisis and the pressure of the state's austerity macro-control policy, the Company rose to challenges and maintained stable production and operation.

The value of newly signed contracts of MCC totaled RMB286,658 million for the year 2011 and its revenue amounted to RMB229,721 million with total profit of RMB6,683 million. The Parent, which holds MCC as its core asset, moved up 18 places from 315th last year to the 297th among the most recently published Fortune Global 500 companies and climbed up 1 place to the 7th among the ENR international contractors. In addition, it was also awarded 9 prizes in the National Quality Construction Awards (國家優質工程獎) (including 2 golden prizes and 7 silver prizes), 5 "Lu Ban Awards" for China's construction engineering (中國建築工程魯班獎) and 4 National Prizes for Outstanding Survey and Design (國家優秀勘察設計獎).

In conscientiously fulfilling its responsibilities in social undertakings and environmental protection, MCC kept a steady momentum in corporate development. Given its cutting edge in research and development of environmental protection technologies, it strived to integrate the ideology of environmental protection into corporate development, through tapping into emerging markets of the green industry such as green buildings, clean energy, civil environmental protection and sea water desalinization. Meanwhile, it vigorously assumed the responsibility in staff development, so as to realize the joint development of the Company and its staff.

The Company abides by the business concept of "building a society of creditworthiness first and foremost and taking pride in achieving customer satisfaction" (誠信社會為本、客戶滿意為榮). In 2012, MCC will adhere to the concept of scientific development and focus on facilitating the shift in its economic development mode. Furthermore, it will strive to increase its competitiveness in its principal businesses and promote efficient transformation by virtue of increased cost-efficiency ratio, tightened risk control, streamlined management and consolidated progress in development, in a bid to ensure the harmonious and steady development of the Company.

We firmly believe that notwithstanding the difficulties and risks ahead, as long as we step up efforts in improving our management, profitability and risk prevention ability, we will manage to achieve satisfactory results in all fronts for 2012, live up to the expectations of investors and friends from all circles and provide greater value to Shareholders and the society, thus further contributing to the sustainability and synergy in the development of the economy, the society and the environment.

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, Shanghai Stock Exchange
Abbreviation of stock name	MCC
Stock codes	1618 (Hong Kong), 601618 (Shanghai)

* *For identification purpose only*

H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited
Address of H Share registrar and transfer office	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
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 board of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 21 September and 24 September 2009 respectively.

The Company is 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. The Company has core competency in innovation and industrialization of technology and strong construction capabilities in metallurgical engineering. The Company is one of the largest engineering and construction companies in the PRC and even in the world. The Parent Group, which holds the Company as its core asset, ranked 297th among the 2011 Fortune Global 500 companies.

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 CSI 100 Index, SSE 180 Index, CSI 300 Index, SSE Corporate Governance Index and SSE 180 Corporate Governance 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.

As at 31 December 2011, the Company has 56 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

Beijing MCC Equipment Research & Design Corporation Ltd.*

Wuhan Research Institute of Metallurgical Construction, Co., Ltd.

China Enfi Engineering Co., Ltd.

MCC Capital Engineering & Research Incorporation Limited

CISDI Group Corp. Ltd.* (中冶賽迪集團有限公司)

WISDRI Engineering & Research Incorporation Limited

Huatian Engineering & Technology Corporation, MCC

ACRE Coking & Refractory Engineering Consulting Corporation, MCC

Zhong Ye Chang Tian International Engineering Co., Ltd.

Beris Group Corporation

Northern Engineering & Technology Corporation, MCC

CCTEC Engineering Co., Ltd.

MCC Hi-Tech Engineering Co., Ltd.

MCC Communication Engineering Technology Co., Ltd.

MCC Mining (Western Australia) Pty Ltd.

MCC Tongsin Resources Ltd.

MCC Australia Holding Pty Ltd.

MCC Minera Sierra Grande S.A

MCC-JJJ Mining Development Company Limited

Ramu NiCo Management (MCC) Limited

MCC Huludao Nonferrous Metals Group Co., Ltd.

MCC Xiangxi Mining Co., Ltd.

MCC Real Estate Group Co., Ltd.

MCC Finance Corporation Ltd.

MCC International Engineering Technology 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 Engineering Group Co., Ltd.

China MCC 19 Group Co., Ltd.

China MCC 20 Group Co., Ltd.

China 22MCC Group Co., Ltd.

Shanghai Baoye Group Corp., Ltd.

China Huaye Group Co., Ltd.

MCC Baosteel Technology Services Co., Ltd.

MCC Overseas Ltd.

China MCC International Economic and Trade Co., Ltd.

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

MCC Seawater Desalination Investment Co., Ltd. (中冶海水淡化投資有限公司)

MCC Holding (Hong Kong) Corporation Limited

MCC-SFRE Heavy Industry Equipment Co., Ltd. * (中冶陝壓重工設備有限公司)

Beijing Central Engineering and Research Incorporation of Iron & Steel Industry 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

* During the Reporting Period, CISDI Group Corp. Ltd.* (中冶賽迪集團有限公司) acquired and merged with former CISDI Engineering Co., Ltd. ; former MCC Great Land United Consulting and Engineering Co., Ltd. merged into Beijing MCC Equipment Research & Design Corporation Ltd.; MCC-SFRE Heavy Industry Equipment Co., Ltd. (中冶陝壓重工設備有限公司) acquired and merged with former MCC Shaanxi Roll Co., Ltd. (中冶陝西軋輥有限公司).

Financial Highlights

1. OVERVIEW

The Company's financial position as at 31 December 2011 and the operating results for the 12 months ended 31 December 2011 (the "Reporting Period" or the "Year") are highlighted as follows:

- Revenue amounted to RMB229,721 million, representing a year-on-year increase of RMB23,324 million or 11.30% from RMB206,397 million in 2010.
- Profit for the year amounted to RMB3,712 million, representing a year-on-year decrease of RMB1,859 million or 33.37% from RMB5,571 million in 2010.
- Profit attributable to equity holders of the Company amounted to RMB4,243 million, representing a year-on-year decrease of RMB1,078 million or 20.26% from RMB5,321 million in 2010.
- Basic earnings per share amounted to RMB0.22, representing a decrease of RMB0.06 or 21.43% from RMB0.28 in 2010.
- As at 31 December 2011, the total assets amounted to RMB332,031 million, representing an increase of RMB43,810 million or 15.20% from RMB288,221 million in 2010.
- As at 31 December 2011, total equity amounted to RMB58,175 million, representing an increase of RMB4,663 million or 8.71% from RMB53,512 million in 2010.
- Newly-signed contract value amounted to RMB286,658 million, representing an increase of RMB1,644 million or 0.58% from RMB285,014 million in 2010, including USD2,986 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 RMB180,646 million, representing an increase of RMB22,265 million or 14.06% from RMB158,381 million in 2010.

- **Equipment manufacturing business**

  Segment revenue amounted to RMB14,231 million, representing an increase of RMB3,599 million or 33.85% from RMB10,632 million in 2010.

- **Resources development business**

  Segment revenue amounted to RMB12,674 million, representing an increase of RMB1,590 million or 14.35% from RMB11,084 million in 2010.

- **Property development business**

  Segment revenue amounted to RMB20,717 million, representing a decrease of RMB4,859 million or 19.00% from RMB25,576 million in 2010.

- **Other businesses**

  Segment revenue amounted to RMB6,049 million, representing an increase of RMB238 million or 4.10% from RMB5,811 million in 2010.

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

3. SUMMARY OF FINANCIAL STATEMENTS

Summary of financial statements prepared in accordance with IFRS

Consolidated Income Statement

	Year ended 31 December	
	2011	2010
	RMB million	*RMB million*
Revenue	**229,721**	206,397
Cost of sales	**(208,567)**	(185,635)
Gross profit	**21,154**	20,762
Selling and marketing expenses	**(1,836)**	(1,530)
Administrative expenses	**(11,839)**	(9,689)
Other income	**1,400**	1,112
Other gains/(losses)-net	**621**	(21)
Other expenses	**(188)**	(198)
Operating profit	**9,312**	10,436
Finance income	**1,643**	849
Finance costs	**(4,328)**	(2,876)
Share of profits of associates	**56**	134
Profit before income tax	**6,683**	8,543
Income tax expense	**(2,971)**	(2,972)
Profit for the year	**3,712**	5,571
Attributable to:		
Equity holders of the Company	**4,243**	5,321
Non-controlling interests	**(531)**	250
	3,712	5,571
Earnings per share for profit attributable to equity holders of the Company		
— Basic earnings per share *(RMB)*	**0.22**	0.28
— Diluted earnings per share *(RMB)*	**0.22**	0.28
Dividends	**—**	898

Summary of Consolidated Total Assets and Total Liabilities

	As at 31 December	
	2011	2010
	RMB million	*RMB million*
Total assets	**332,031**	288,221
Total liabilities	**273,856**	234,709
Net assets	**58,175**	53,512

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	346,500,000	1.82	–	–	–	–	–	346,500,000	1.82
2. Shares held by state-owned legal person	12,265,108,500	64.18	–	–	–	–	–	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									
Including: Shares held by overseas legal person	–	–	–	–	–	–	–	–	–
Shares held by overseas individuals	–	–	–	–	–	–	–	–	–
II. Shares not subject to selling restrictions									
1. Renminbi-denominated ordinary shares	3,627,391,500	18.98	–	–	–	–	–	3,627,391,500	18.98
2. PRC-listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas-listed foreign shares	2,871,000,000	15.02	–	–	–	–	–	2,871,000,000	15.02
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of shares	19,110,000,000	100	–	–	–	–	–	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
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
Total	12,611,608,500	0	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 listed in both Shanghai and Hong Kong. The issuing price of A Shares and H Shares was 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 issued 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 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

At the end of the Reporting Period, the Company had a total of 356,363 Shareholders. Among which, 347,699 were A Share Shareholders and 8,664 were H Share Shareholders. As of 29 February 2012, the Company had a total of 356,764 Shareholders. Among which, 348,128 were A Share Shareholders and 8,636 were H Share Shareholders.

1. *Particulars of the top 10 Shareholders (Note 1)*

Unit: Share

Name of Shareholder	Change during the Reporting Period	Total number of shares held at the end of the period	Percentage (%)	Number of shares subject to selling restrictions held	Status of shares pledged or frozen	Nature of Shareholder
China Metallurgical Group Corporation	0	12,265,108,500	64.18	12,265,108,500	Nil	State-owned legal person
HKSCC Nominees Limited *(Note 2)*	-15,906,000	2,838,775,000	14.85	—	Unknown	Others
The National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	-3,500,000	346,500,000	1.82	346,500,000	Unkown	State
Baosteel Group Corporation	0	123,891,500	0.65	—	Unknown	State-owned legal person
PICC Health Insurance Company Limited — traditional — general insurance product (中國人民健康保險股份有限公司 — 傳統 — 普通保險產品)	36,701,580	45,655,233	0.24	—	Unknown	Others
PICC Life Insurance Company Limited — Dividend — Dividend of Group Insurance (中國人民人壽保險股份有限公司 — 分紅 — 團險分紅)	32,992,725	44,224,263	0.23	—	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)	20,500,270	43,238,218	0.23	—	Unknown	Others
PICC Life Insurance Company Limited — dividend — Dividend of Individual Insurance (中國人民人壽保險股份有限公司 — 分紅 — 個險分紅)	24,633,028	36,464,566	0.19	—	Unknown	Others
ICBC — Guang Fa Large-cap Growth Mixed Securities Investment Fund (中國工商銀行 — 廣發大盤成長混合型證券投資基金)	33,000,000	33,000,000	0.17	—	Unknown	Others
China Construction Bank — China AMC Dividend Mixed Open-end Securities Fund (中國建設銀行 — 華夏紅利混合型開放式證券投資基金)	27,147,049	27,147,049	0.14	—	Unknown	Others

Note 1: Figures in the table were extracted from the Company's register of Shareholders as at 31 December 2011.

Note 2: 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 (Note 1)*

Unit: Share

Name of Shareholder	Number of shares not subject to selling restrictions held	Type of shares
HKSCC Nominees Limited *(Note 2)*	2,838,775,000	H Shares
Baosteel Group Corporation	123,891,500	A Shares
PICC Health Insurance Company Limited — Traditional — general insurance product (中國人民健康保險股份有限公司 — 傳統 — 普通保險產品)	45,655,233	A Shares
PICC Life Insurance Company Limited — Dividend — dividend of group insurance (中國人民人壽保險股份有限公司 — 分紅 — 團險分紅)	44,224,263	A Shares
PICC 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)	43,238,218	A Shares
PICC Life Insurance Company Limited — dividend — Dividend of Individual Insurance (中國人民人壽保險股份有限公司 — 分紅 — 個險分紅)	36,464,566	A Shares
ICBC — Guang Fa Large-cap Growth Mixed Securities Investment Fund (中國工商銀行 — 廣發大盤成長混合型證券投資基金)	33,000,000	A Shares
China Construction Bank — China AMC Dividend Mixed Open-end Securities Fund (中國建設銀行 — 華夏紅利混合型開放式證券投資基金)	27,147,049	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)	26,657,516	A Shares
PICC Life Insurance Company Limited — proprietary funds (中國人民人壽保險股份有限公司 — 自有資金)	23,351,333	A Shares

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

Note 1: Figures in the table were extracted from the Company's register of Shareholders as at 31 December 2011.

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

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

Unit: Share

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

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

Note: Figures in the table were extracted from the Company's register of Shareholders as at 31 December 2011.

(2) Specifications on Controlling Shareholder and Ultimate Controlling Person

1. *Controlling shareholder*

The controlling shareholder of the Company is China Metallurgical Group Corporation, whose registered office is 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, and operates the paper business and disposes of and liquidates its retained assets.

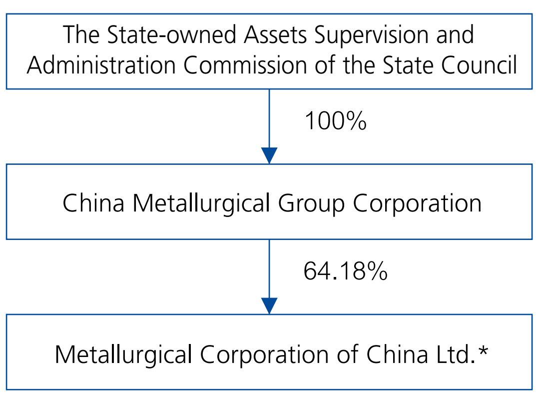
2. *Ultimate controlling person*

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

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

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

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



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

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

Biographies of Directors, Supervisors and Senior Management

Biographies of the Directors, Supervisors and Senior Management of the Company as at 31 December 2011 are set out below.

I. DIRECTORS

Mr. Jing Tianliang (經天亮)

aged 66, is the Chairman of the Company. Mr. Jing is a professor-level senior engineer and is entitled to special subsidy granted by the State Council. He graduated from Xi'an Mining Institute with an associate degree in electrical and mechanical engineering in 1967. Mr. Jing joined China Metallurgical Group Corporation in March 2010. 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). Mr. Jing has served as the external director of Baosteel Group Corporation (寶鋼集團有限公司) since January 2009, while with effect from March 2010, Mr. Jing was appointed as the chairman of China Metallurgical Group Corporation and has served as the external director of State Development & Investment Corporation since May 2011. Mr. Jing was appointed as the Chairman of the Company with effect from 29 June 2010.

Mr. Wang Weimin (王為民)

aged 50, is the vice chairman and executive Director of the Company. Mr. Wang is a senior engineer who graduated from the Academy of Armored Forces Engineering (裝甲兵工程學院) 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 concurrently served as 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 57, 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 vice chairman and secretary of the Communist Party Committee of China Metallurgical Group Corporation since September 2008. Mr. Shen was awarded as the "National May 1 Labour Medalist" (全國五一勞動獎章) in 2004. 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 47, 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 a secretary of the Communist Party Committee, executive director and vice general manager of CRBC International Co., Ltd. He has served as the deputy secretary of the Communist Party Committee of our Company since December 2008, and a director and the deputy secretary of the Communist Party Committee of the Company since April 2009. Mr. Guo was appointed as the Employee Representative Director (nonexecutive Director) of the Company with effect from 19 June 2009.

Mr. Jiang Longsheng (蔣龍生)

aged 66, 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 China National Offshore Oil Corporation 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 served as an external director of China National Pharmaceutical Group Corporation from December 2005 to January 2012 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 67, 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 of the PRC (國家人事部高級公務員管理司), vice director-general and director-general of the Personnel Administration Department (國管人事司), 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 of the Ministry of Personnel (政策法規司) and member of the Party Group (部黨組成員) 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 an external 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 56, 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. Since September 2007, Mr. Liu has served as an independent director of Zhongyuan Special Steel Co Ltd. He has served as an independent director of China Oil HBP Science & Technology Co., Ltd. since December 2009. 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. He 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. Before Mr. Chen joined the Company in November 2008, 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 has served as an independent director of CSR Corporation Limited since December 2007. 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), a member of the Chartered Institute of Arbitrators (U.K.), 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 obtained a Master's degree in business administration from the University of East Asia, Macau in 1987. Mr. Cheung has undertaken 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 and an engineering management course in The Institute of Civil Engineering Surveyors (土木工程測量學會). Prior to joining our Company in June 2009, Mr. Cheung had served as assistant auditor and senior accountant at PricewaterhouseCoopers, 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. He has been an independent non-executive director of EPI (Holdings) Limited since June 2011. 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 60, 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 (上海財經學校), 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 the chairman of the Supervisory Committee of the Company with effect from 28 November 2008.

Mr. Peng Haiqing (彭海清)

aged 40, 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 of the Economic Office and secretary to the manager 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 Bo (邵波)

aged 48, 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), Vice Division Chief level investigator (副處級調研員) of the general office of the Ministry of Metallurgical Industry, secretary of the office of director general (vice division chief level) 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 general manager of Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Co., Ltd. since November 2003. He served as director of MCC Capital Engineering & Research Incorporation Limited (中冶京誠工程技術有限公司) since November 2003, and as secretary to the Board from November 2003 to January 2009. From February 2007 to September 2009, he served as standing deputy director of the listing office of China Metallurgical Group Corporation (中國冶金科工集團公司, whose Chinese name has been renamed 中國冶金科工集團有限公司 in April 2009 with English name unchanged) and head of the general affairs department of the company, general manager and legal representative of Beijing Dongxing Metallurgical New-Tech & Development Corp. since January 2009. He has been serving as part-time supervisor of China Metallurgical Group Corporation since March 2010. Mr. Shao was appointed as the employee representative Supervisor of the Company with effect from 18 January 2011.

III. SENIOR MANAGEMENT

Mr. Shen Heting (沈鶴庭)

see "Directors" as stated above.

Ms. Huang Dan (黃丹)

aged 50, 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 processing. 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 concurrently served as secretary to the board of directors of China Metallurgical Group Corporation from November 2006 to January 2009. She has also concurrently served as the secretary to the Board and the joint company secretary of the Company 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 55, is the Vice President and chief accountant (chief financial officer) 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 officer) of the Company with effect from 28 November 2008.

Mr. Zhang Zhaoxiang (張兆祥)

aged 48, 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 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 41, 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. He graduated from Tsinghua University and obtained an Executive MBA degree in 2010. 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 (he 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.

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 and is entitled to special subsidy granted by the State Council. 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. Mr. Kang graduated in 2011 from Grenoble Ecole de Management, France, and obtained a DBA from Grenoble Ecole de Management, France. 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.

IV. JOINT COMPANY SECRETARIES

Mr. Kang Chengye (康承業)

See "Senior Management" as stated above.

Ms. Ma Sau Kuen Gloria (馬秀絹)

aged 53, 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

According to the data released by the National Bureau of Statistics, in 2011, China's gross domestic product ("GDP") amounted to RMB47.1564 trillion, up 9.2% as compared with 2010 in terms of comparable prices. According to the statistics by industries, the added value of the primary industry, the secondary industry and the tertiary industry amounted to RMB4.7712 trillion, RMB22.0592 trillion and RMB20.3260 trillion, representing a growth of 4.5%, 10.6% and 8.9% over 2010, respectively.

For the metallurgical engineering and construction market where the Company's engineering and construction business is closely related to, in 2011, the fixed asset investments of the ferrous metal mining industry increased by 18.4% to RMB125.1 billion over the same period of last year; the fixed asset investments of the non-ferrous metal mining industry increased by 24.2% to RMB127.5 billion over the same period of last year; the fixed asset investments of the ferrous metallurgy and rolling processing industry increased by 14.6% to RMB386.0 billion over the same period of last year; and the fixed asset investments of the non-ferrous metallurgy and rolling processing industry increased by 36.4% to RMB386.1 billion over the same period of last year.

For other engineering and construction markets in 2011, the gross floor area ("GFA") under construction by national property development enterprises recorded was 5,080 million sq.m., representing an increase of 25.3% over last year, 1.2 percentage points lower in terms of growth rate than last year. In particular, the GFA under construction for residential properties amounted to 3,884 million sq. m., representing an increase of 23.4%. Area of newly-commenced GFA was 1,901 million sq.m., representing an increase of 16.2%, 24.4 percentage points lower in terms of growth rate than last year. In particular, newly commenced GFA for residential properties amounted to 1,460 million sq.m., representing an increase of 12.9%. GFA completed amounted to 892 million sq.m., representing an increase of 13.3%, 5 percentage points higher in terms of growth rate than last year. In particular, the GFA completed for residential properties amounted to 717 million sq.m., representing an increase of 13.0%.

(2) The overall operating results of the segment during the Reporting Period

In 2011, the Company further conducted innovation on the operating policy and diversified its operating modes. It doubled efforts in industry restructuring, with a view to not merely cementing its leading presence in the metallurgy market but also penetrating new markets as well as enhancing its ability to confront market risks. In adherence to its EPC engineering and construction modes, the Company strived to improve the profitability of construction projects, leveraging its enhanced engineering management and risk control.

The overall operating results of the engineering and construction segment in 2011

Unit: RMB00' million

	2011	% of the total	2010	Year-on-year growth
Segment revenue	**1,806.46**	77.10%	1,583.81	14.06%
Segment results	**80.02**	83.98%	65.80	21.61%
New contracted value	**2,279.50**	—	2,184.59	4.34%

For details of certain major projects under the Company's engineering and construction segment that were newly signed in 2011, please refer to "Other Material Contracts" as set out on page 130 in this report.

Metallurgical Engineering and Construction Market

The Company enhanced its market expansion by keeping abreast of the latest information about the metallurgical engineering and construction markets in regions such as Liaoning, Sichuan, Xinjiang and Hebei. The Company entered into a portfolio of major metallurgical engineering and construction contracts with contract value exceeding RMB1 billion, such as the blast furnace project (2 x 2,300m^3) of Rizhao Steel Holding Group Co., Ltd. (日照鋼鐵控股集團有限公司2×2,300m^{3}高爐項目), the EPC contract of steel making for the Bagang Nanjiang Base (八鋼南疆基地煉鋼工程總承包項目), the equipment upgrade and renovation of energy saving and environmental protection technique system of Xining Special Steel (西寧特鋼煉鋼軋鋼系統節能環保工藝裝備升級改造工程) and the iron and steel making construction project of Langfang City Guangyuan Metal Products (Shengbao) Co., Ltd. (廊坊市洸遠金屬製品有限公司(勝寶)煉鐵、煉鋼工程).

Non-metallurgical Engineering and Construction Market

In 2011, the Company gathered pace in restructuring its product portfolio. It put great efforts in the development of the non-steel engineering and construction market by undertaking projects such as housing constructions, transportation infrastructure constructions and sports stadiums. In 2011, the Company entered into many non-metallurgical engineering and construction projects such as the construction project of Shengming International Plaza in Xiqiao, Nanhai Distruct of Zhuhua Co., Ltd. (珠華有限公司南海西樵盛名國際廣場工程), the relocation project of rehabilitation and economical housing of Zhanzhuangqi Village in Dongli District, Tianjin (天津東麗區詹莊七村還遷安置經適房工程), the construction project of the municipal roads and bridges in Hohhot City for 2011 (呼和浩特市2011年市政道路和橋樑工程), the project of Dongfang Yongye City Plaza in Songshan, Chifeng (赤峰松山東方永業城市廣場工程) and the phase III construction project of the main building of Xiamen International Convention and Exhibition Center (廈門國際會展中心三期主樓工程).

Overseas Engineering Market Expansion

In 2011, the Company spared no efforts in putting the "go global" policy into practice. On one hand, it pressed ahead with consolidating the metallurgical markets in countries and regions such as India, eastern Europe and southeast Asia by entering into a portfolio of material overseas metallurgical engineering and construction projects such as the KPO coking project of TATA Iron and Steel Company in India (印度TATA鋼鐵公司KPO焦化項目) (undertaken in the EP mode) and the construction and installation project of the processing plant of KIMKAN Iron Ore in Russia (俄羅斯KIMKAN鐵礦選礦廠建築安裝工程) (undertaken in the engineering and construction mode); on the other hand, it vigorously expanded the civil and infrastructure construction markets in regions such as the Middle East and Africa, based on the integrated management platform of engineering and construction in the Middle East market which is established by the Company's branch in such region, in a bid to increasing the overseas market share of our principal business of engineering and construction. In 2011, under the operation of the Company's branch in the Middle East, the Company undertook the JAHRA road project (科威特JAHRA公路項目) in Kuwait in the general contracting mode with an approximate contracted value of RMB850 million; meanwhile, it applied the same mode in undertaking the project for petroleum engineering institution of Kuwait University (科威特大學城石油工程學院項目), which was the first main section among the 22 sections of the Sabah Al-Salem University City in Kuwait (薩巴赫 • 薩利姆大學城). With a total contract value of approximately RMB3,350 million, such project has been the largest general contracting project of the Company in the Middle East region.

Awards

In 2011, the Company received numerous awards in respect of the projects undertaken or in which it had participated, a full testimony to the Company's competitiveness in the engineering and construction industry, particularly on metallurgical engineering and construction.

Awards of engineering and construction of the Company for 2011

Awards	Number of Awards
Luban Awards	5
National Quality Construction Awards	9
National Prizes for Outstanding Survey and Design	4
High Quality Awards in the Metallurgical Industry	150
Including: Engineering-related	27
Design-related	99
Survey-related	24

2. *Equipment Manufacturing Business*

(1) Industry Overview

In 2011, the gross industrial output value of the heavy machinery industry amounted to RMB868,612 million, representing a year-on-year increase of 26.17%. In particular, the total production value of metallurgical machinery industry amounted to RMB110,598 million, representing a growth of 11.15% over 2010. The metallurgical (iron and steel) industry serves as the major source of the downstream demand for domestic large-scale industrial equipment and the driving force of the development of the equipment manufacturing industry over the last decade. Under the impact of the state's austerity macro-control policy, the metallurgical equipment manufacturing industry, under the pressure arising from the weakened growth momentum in iron and steel production in China, is in demand of a new growth point. In 2011, the output of specialized metallurgical equipment reached 1.2828 million ton, representing a year-on-year increase of 27.3%.

Following the promulgation of 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》), the state later prepared or issued documents including the Twelfth Five-year Plan of the High-end Equipment Manufacturing Industry (《高端裝備製造業"十二五"規劃》) and the Twelfth Five-year Plan of Energy-saving and Environmental Protection (《節能環保"十二五"規劃》), which enlisted the high-end equipment manufacturing industry as one of the national strategic emerging industries that require key development at the current stage of the state, thus promoting the structural upgrade of the equipment manufacturing industry. Encouraged by national policies and driven by the market demand, the invigoration of the high-end equipment manufacturing industry with advanced technology, high added value, core position in the industrial chain and ability to achieve synergy with related industries will constitute a key link in the industrial upgrade of equipment manufacturing, which is promising from a long-term perspective.

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, marine engineering, 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 for bridges used in traffic engineering, civil construction and steel structure housing continues to grow, hence the steel structure market will gradually see ample room for development.

(2) The overall operating results of the segment during the Reporting Period

Business under the Company'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 segment result of the equipment manufacturing segment in 2011

Unit: RMB00' million

	2011	% of the total	2010	Year-on-year growth
Segment revenue	**142.31**	6.07%	106.32	33.85%
Segment results	**0.05**	0.05%	–1.03	—

The Company doubled efforts in technology research and development in the equipment manufacturing segment, expedited restructuring of its product portfolio and industrial upgrade, which signified a landmark progress. The first 40MN pre-stressed and wire twined multi-directional forging press machine (40MN預應力鋼絲纏繞多向模鍛液壓機), which was independently developed, designed, produced, assembled, installed and tested by China 22MCC Group Co., Ltd. in cooperation with Tsinghua University, succeeded in the hot trial. Besides, the company also invented the 6-inch vacuum valve (6吋真空閥體) for CNNC SUFA Technology Industrial Co., Ltd. (中核蘇閥科技實業股份有限公司), which marked a major breakthrough in the field of multi-directional forging techniques. The prototype of such equipment is on display as one of the major feats on the Centennial Anniversary of Tsinghua University. At present, the 120MN pre-stressed and wire twined multi-directional forging press machine (120MN預應力鋼絲纏繞多向模鍛液壓機) is under production and will soon become a new member of products of the same series. MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd. (中冶京誠(湘潭)重工設備有限公司), a joint venture, has been vigorously expanding the equipment manufacturing business with intellectual property rights. Its independently developed and manufactured 400-ton self-dumping truck for open-pit mines which have been officially launched will commence field functioning test subject to the results of negotiation with relevant enterprises. The successful launch of such equipment will lay solid foundation for the restructuring of products and its industrial upgrade. Based on expedited equipment installation and test as well as technique improvement, MCC-SFRE press roller project has put its first batch of press roller products into trial use in relevant enterprises, thus complementing and optimizing the industrial chain.

The Company saw continuous improvement in manufacturing techniques and installation technologies of steel structures. Relevant construction enterprises under the Company have further consolidated their leading position in construction of high-end steel-structure buildings such as large-scale venues and civil ultra-high-rise buildings, through participation in the construction of the steel structure of the west area of Aux Fortune Plaza Project (奧克斯財富廣場項目西區鋼結構), the steel structure of Fujian University Stadium (福建大學生體育館鋼結構), the steel structure of the aquarium of Wuhan Polar Ocean World (武漢極地海洋世界海洋館鋼結構) and the venues for Guangzhou Asian Games.

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 sectors of mineral products (including iron, copper, nickel, lead and zinc) and metallurgical processing.

Year 2011 saw a slowdown in the world's economy and trade growth. The debt crises in Europe and the U.S. triggered turbulence in the international financial market and led to unusual international capital flows. The base metal market retreated from its early highs and fell into a downturn, due to the enduring high inflation in the emerging markets and the volatility of the commodities' price within a high range. The high unemployment rate in developed countries other than Germany has driven up the instability and uncertainty in the recovery of the world's economy.

Year 2011 heralded the start of China's "Twelfth Five-Year Plan". In spite of a slowdown in the economic growth during the year, the state's economy maintained a solid momentum which was impressive albeit difficulties in the new international landscape and the domestic economy, laying solid foundation for unfolding of the "Twelfth Five-Year Plan".

Table of China's Output, Consumption and Import of Iron Ore, Copper, Nickel, Lead and Zinc in Recent Years

Unit: 0'000 tons

	Type	2008	2009	2010	January to September in 2011	2011
Output	Iron ore	82,401	88,122	107,771	94,623	120,551
	Copper	379.5	405.1	457.4	393.3	524.4
	Nickel	17.1	24.7	38.6	41.9	55.9
	Lead	345.2	377.3	419.9	337.4	449.9
	Zinc	404.2	428.6	516.4	382.4	509.9
Consumption	Iron ore	75,307	86,998	94,433	77,261	99,590
	Copper	514.9	708.6	741.9	560.2	746.9
	Nickel	30.5	54.1	56.1	57.7	76.9
	Lead	345.6	392.5	421.3	338.3	451.1
	Zinc	414.5	481.8	530.6	393.1	524.1
Import	Iron ore	44,356	62,778	61,863	61,844	68,606
	Copper	519.7	614.4	647.6	463.8	618.4
	Nickel	1,237.3	1,657.6	2,507.9	3,299.6	4,399.5
	Lead	144.5	160.8	160.9	105.2	140.3
	Zinc	239.5	385.2	324.2	220.5	294.0

Note 1: Figures for copper, nickel, lead and zinc were sourced from "World Metal Statistics" while the figures for 2011 are estimates only.

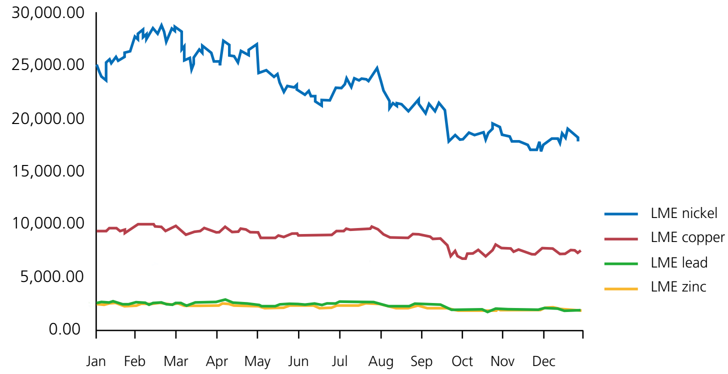
Note 2: Figures for iron ore were sourced from China Iron & Steel Association, National Bureau of Statistics, General Administration of Customs and Umetal.com.

According to the estimates of China Iron & Steel Association, the output of crude steel for 2011 amounted to 683,270,000 tons, representing a year-on-year increase of 44,000,000 tons or 6.9%. According to the statistics of General Administration of Customs, the imported iron ores for 2011 amounted to 686,060,000 tons, representing a year-on-year increase of 10.9%. According to the estimates of China Metallurgical Industry Planning and Research Institute, the national steel consumption for 2012 is expected to reach 646,000,000 tons.

The average CIF (cost, insurance and freight) price of the imported iron ores for the period from January to November in 2011 was US$166.2/ton, representing a year-on-year increase of 31.5%. In December, the price of iron ore concentrates was RMB985.99/ton while the CIF price of imported iron ore powder was US$136.32/ton. China Iron & Steel Association expects that the iron ore price will subsequently fluctuate within a low range. The national output of ten non-ferrous metals for 2011 amounted to 34,240,000 tons, representing a year-on-year increase of 10.6%, 6.7 percentage points lower in terms of growth rate than that for the same period last year. In particular, copper output increased by 14.2%, 2 percentage points higher in terms of growth rate than that for last year. Lead output increased by 12.5%, 2.7 percentage points higher in terms of growth rate than that for last year. Zinc output increased by 3.8%, 15.9 percentage points lower than that for last year. According to the Twelfth Five-year Plan for the Non-ferrous Metals Industry (《有色金屬工業"十二五"發展規劃》), by the end of the Twelfth Five-year period, the output of the ten non-ferrous metals will be capped at around 46,000,000 tons, according to which the average annual growth rate will be 8%.

Cash Settlement Price Charts of LME in 2011

Unit: US$/ton



In early 2011, stimulated by positive factors such as strengthened fundamentals and a weakened US dollar, the prices of base metals such as copper and tin hit historical high but soon gradually declined, in particular, the fell of the price of nickel was the steepest, as the European debt crisis worsened and US dollar appreciated. If the debt crisis in the euro zone stops deteriorating in 2012, the metal price will still see upside potential with investor confidence returning and market demand picking up.

(2) The overall operating results of the segment during the Reporting Period

According to the Company's growth strategy, the Company 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 political stability. At present, the Company's priority in resource development is to complete the construction of existing projects and put them into production as soon as possible, thus turning resource advantages into economic advantages.

The segment result of the resource development segment in 2011

Unit: RMB00' million

	2011	% of total	2010	Year-on-year growth
Segment revenue	**126.74**	5.41%	110.84	14.35%
Segment results	**–6.89**	–7.23%	5.52	—

Table of Annual Output and Sales of Certain Production Enterprises in the Resources Segment for 2011

Name of project	**Product category**	**Unit**	**Output in 2011**	**Sales in 2011**
Saindak Copper-Gold Mine	blister copper	t	**18,016**	**17,021**
Duddar Lead-Zinc Mine	lead ore concentrates	t	**2,268**	**4,037**
	zinc ore concentrates	t	**19,457**	**25,103**
Ningcheng Iron Ore	iron ore concentrates	t	**593,000**	**586,900**
Jinchang Iron Ore	iron ore concentrates	t	**27,227**	**25,282**
The Sierra Grande Iron Ore project in Argentina	iron ore concentrates	t	**284,834**	**289,000**
Luoyang China Silicon Hi-tech Corporation	polysilicon	t	**8,134**	**6,628**
MCC Huludao Nonferrous Metals Group Co., Ltd.	zinc	t	**326,430**	**320,954**
	lead	t	**15,804**	**15,538**
	silver	kg	**38,638**	**35,657**
	sulfuric acid	t	**501,870**	**491,811**

In 2011, the operating conditions of certain resources projects which were undergoing production are as follows:

Saindak Copper-Gold Mine, Pakistan: In 2011, the total stripping volume amounted to 12.13 million tons, and ore processing volume was 5.14 million tons. The mine produced an aggregate of 81,458 tons of copper ore concentrates which contained 18,797 tons of copper and approximately 18,016 tons of blister copper. Operating revenue from Saindak project amounted to approximately RMB1.46 billion in 2011, representing an increase of 5% over 2010. In May 2011, the its leasing period, for such project was renewed and extended to the later of 30 November 2017 or the date on which resources with economic value have been fully exploited.

Luoyang China Silicon Hi-tech Corporation ("Luoyang China Silicon"): In 2011, the polysilicon output reached 8,134 tons, representing an increase of 97.6% over 2010. To cope with the fluctuations in the market, Luoyang China Silicon managed to cut down costs by adopting various measures of energy saving and consumption reduction, thus ensuring the stability of the company's production. Notwithstanding a sharp decline in the price of polysilicon in the fourth quarter, Luoyang China Silicon recorded considerable economic benefits with revenue amounting to RMB2,600 million, 42.4% higher as compared with 2010. In September 2011, Luoyang China Silicon entered into a strategic cooperation framework agreement with the municipal government of Luliang City, Shanxi Province, pursuant to which, the Project of Industrialization of Advanced Technology for Energy-saving and Environmental-friendly Production of Polysilicon with 20,000-ton Annual Production Capacity (年產2萬噸多晶硅節能環保高技術產業化項目) was to commence construction in Xiaoyi, Shanxi, given the supply of high quality coal resources in Shanxi province.

MCC Huludao Nonferrous Metals Group Co., Ltd. ("Huludao Nonferrous Group"): In 2011, the output of zinc, lead, silver and sulfuric acid of Huludao Nonferrous Group amounted to 326,430 tons, 15,804 tons, 39 tons and 501,870 tons, respectively, and the sales volume amounted to 320,954 tons, 15,538 tons, 36 tons and 491,811 tons, respectively, recording a revenue of RMB6,340 million. However, due to the historical problems, the outdated technologies, high costs and redundant staff which have increased the burden of the society, and affected by macro-economic impact at home and abroad, the market price of non-ferrous metals saw an ongoing decline and the cost of processing remained low, resulting in excessive financial expenses, and thus a substantial loss incurred in 2011.

Sierra Grande Iron Ore, Argentina: the commissioning output of raw ores and iron concentrate powder for 2011 was 600,000 tons and 260,000 tons, respectively; while the actual output of iron concentrate powder reached 285,000 tons, representing 109.6% of the commissioning target for the year.

In 2011, the Company had vigorously expedited the construction of projects under the resource development segment as planned, the progress of which is as follows:

Ramu Nico Mine, Papua New Guinea: the plaintiff of the deep-sea placement (深海填埋) was ruled in the favour of the Company, which helped the Company hurdle over the barriers in full-scale operation and production of the project. In 2011, cold and hot water trial run were carried out in mines, tunnels and smelting plants for the project and remediation were made timely in response to problems so identified. At the end of February 2012, the load commissioning of the project was finally approved by the mining department of the government of Papua New Guinea.

Aynak Copper Mine, Afghanistan: the Afghanistan government failed to issue the findings of land ownership investigation and compensation standards as planned, leading to the delays in the preparation of the feasibility report, site selection for the general layout, relocation of villages and land acquisition for the project. Thus far, a mining area of 6.8 sq. km. has been cleared and the next stage of mine clearance would not proceed unless the whole mine area is specified, upon the completion of the site location for the general layout. Being aware of the adverse impact on the excavation of relics arising from the lack of labour and equipment, the Company actively urged the mining department of the Afghanistan government to solve the problems through coordination, with a view to ensuring that the excavation of relics will be completed as planned. The next major mission of the project will revolve around the completion of the feasibility report, site selection for the general layout and the environment evaluation report, as well as obtaining relevant approvals from the government of Afghanistan.

Cape Lambert Iron Ore, Australia: the Company has commenced geological exploration, ore processing test and hydro-geological survey, for the purpose of obtaining the mining rights. After entering into the first stage compensation agreement with the aborigines, the Company is currently pressing ahead with the optimization of the feasibility study plan.

Duddar Lead-Zinc Mine, Pakistan: in 2011, the output of lead and zinc ore concentrates of the upper level exploitation system and processing field reached 2,268 tons and 19,457 tons, respectively. The lower level exploitation system is still under construction.

4. *Property Development Business*

(1) Industry Overview

In an attempt to secure livelihood, stability and propel the healthy development of the macro economy and the real estate industry, the central government rolled out a series of policies including the Notification of Problems Concerning the Further Improvement Made by the Office of the State Council on Monitoring the Real Estate Market (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》) in 2011 to tame the real estate industry. To this end, it tightened credit policies, raised deposit reserve ratios whilst tightening market liquidity and adopting administrative and taxation measures such as imposing new purchase restriction and property tax to curb housing demand driven by speculative investment. Meanwhile, the central government pressed ahead with the construction of social welfare housing, with plans afoot for construction of various types of social welfare housing up to 36,000,000 units during the "Twelfth Five-year Plan" period, so as to resolve the imbalance between supply and demand.

In 2011, the real estate development gathered pace yet a slow down in growth followed during the year, drawing a national investment up to RMB6,174 billion, representing a year-on-year increase of 27.9%. With a year-on-year increase of 16.2% to 1,900 million sq.m., area of newly commenced construction witnessed a significant slowdown in momentum and registered the first negative growth in December. Area under construction was 5,080 million sq.m., representing a year-on-year increase of 25.3%; while the area completed amounted to 890 million sq.m., representing a year-on-year increase of 13.3%; sales area of commodity houses amounted to 1,100 sq.m., representing a year-on-year increase of 4.9% and the sales grew by 12.1 % to RMB5.9 trillion. The effective control policies have called a halt to the runaway property price and pushed the average price per month to decline. As at the end of October 2011, the country commenced construction of 10,332,000 units of houses for social welfare housing and redevelopment of urban shanty areas, representing an operating rate up to 103.3%. The investment in social welfare housing has been the major source for making up investment loss for commodity housing.

In response to the control policies, our property market slid as a whole in 2011. However, driven by the urbanization and blistering pace of growth of the PRC economy at large, it is estimated that the robust demand for housing for self occupancy purpose will not subside, while there is still vast room for commodity housing, leaving a myriad of market opportunities for the property industry in the PRC.

(2) The overall operating results of the segment during the Reporting Period

The property development business of the Company has transformed from developing one single project in one single location to multiple projects in various locations. Through doubling efforts in project investment and expansion of business scale, the business has expanded. Through reorganization of resources and business integration, the Company has turned itself into a property enterprise with multi-regional and group-based operation, with business ranging from commodity property development, social welfare housing construction and primary land development.

The segment result of the property development segment in 2011

Unit: RMB00'million

	2011	% of total	2010	Year-on-year growth
Segment revenue	**207.17**	8.84%	255.76	–19.00%
Segment results	**20.91**	21.94%	38.12	–45.15%

Detailed operating results of the property development segment in 2011

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

	2011	Year-on-year growth
Total investment completed	**370.8**	–14.3%
Contracted sales area	**138**	7.0 %
Contracted sales	**149**	12.9%
GFA completed	**206**	–18.6%
GFA under construction	**1,902**	31.4%
Including: newly commenced GFA	**726**	–22.8%
Site area to be developed for commodity properties and social welfare housing projects	**421**	—
Site area to be developed for primary land development projects	**2,074**	—

In 2011, the property development segment of the Company had 165 projects under operation with a total planned investment of approximately RMB279,090 million and a planned GFA of 47,284,600 sq.m.. In particular, 97 of them were commodity property development projects including residential properties, high-grade apartments, villas, office buildings and commercial properties, with a total planned investment of RMB179,845 million and a total GFA of 26,649,500 sq.m.; 50 of them were social welfare housing projects, mainly comprising projects of low-renting housing, economically affordable housing, redeveloping urban shanty areas and restructuring of dilapidated houses in rural area, with a total planned investment of RMB50,872 million and a total GFA of 20,637,000 sq.m.; and 18 of them were primary land development projects with a total investment of RMB48,373 million and a total construction area of 4,577.56 sq.m..

The Company will remain committed to the principle of standardization, standardized capital operation, market segmentation and consumer diversification. In product strategic planning, it aspires to integrate commodity properties, social welfare housing, primary land development and coordination between urban and rural construction, and actively engages in multi-dimensional and high-end property development. By sustaining its effort in social welfare housing development, it has effectively fostered its property development segment on all fronts. With prudent measures to bolster efforts in commodity properties, commercial property development has thus become a new profit growth area of the property development segment of the Company and lay solid foundation for it to strengthen and improve the business. New development modes and new market domains have been explored, and with a focus on development in fields where it has an advantage, will enable the Company to adjust and optimize the mechanism of the structure of the property development segment in a flexible manner. Continuous efforts have been made in responding to market changes in the external environment to enhance competitiveness of the segment. With a commitment to operating under the same brand and the strategy of operating in highly focused regions, the Company has strived to improve its property development in order to facilitate the overall development of the property development business.

(II) Scientific Research Contribution and Achievements

In 2011, the Company, based on requirements specified in its long-term development plan, actively established a long-term and stable system for technological investment and strengthened protective measures in this respect to ensure the quality of such investment. It focused on safeguarding the use of funding for technological research of the Group whilst actively applying for funding on national and provincial scientific research. In 2011, the Company's investments in science and technology amounted to 2,029 million, representing 0.88% of the revenue for the year then. The Company's capability of independent innovation had significantly improved and led to fruitful achievements, which are specified as follows:

1. *Construction of Technological Platforms*

   In 2011, the Company was granted approvals in respect of the establishment of one National Engineering Technology Research Center and two enterprise technology centers approved by the State; 12 MCC's engineering technology centers; five provincial and ministerial engineering technology research centers as well as two engineering technology centers approved by provincial governments. As at the end of 2011, the Company has, in aggregate, established nine new technology innovation platforms at national level, 42 MCC engineering technology centers and 52 technology innovation platforms at provincial and ministerial level.

2. *Scientific Research Projects*

   In 2011, the Company had organized and completed applications of 54 National Key Scientific Research Projects for approval, including seven projects under the "National 863 Program" (國家「863」計劃項目) and the technological support scheme under the Twelfth Five-year Plan, 10 projects under the Scientific Research and Awards in 2011 approved by the Ministry of Finance, two scientific research projects endorsed by the National Development and Reform Commission of the State as well as one scientific project from the Ministry of Environmental Protection.

3. *Intellectual Property Rights*

   In 2011, the Company had one outstanding patent award granted by the state. 2,886 new applications for patents (including 1,003 invention patents) were made, while 2,166 patents (including 484 invention patents) were granted approvals. As at the end of 2011, the Company had accumulated 5,984 valid patents (including 964 valid invention patents).

4. *Science and Technology Awards and Achievements Authentication*

   As to national and metallurgical technology awards, in 2011, the Company had earned two second prizes of the National Science and Technology Advancement Award (國家科技進步獎二等獎); 8 awards in respect of metallurgical technologies granted by the China Steel Industry Association (中國鋼鐵工業協會) and the Chinese Institute of Metals (中國金屬學會), including 1 first prize, 2 second prizes and 5 third prizes. As to enterprise technology awards, a total of 72 corporate scientific technology awards were received, including 3 special prizes, 8 first prizes, 20 second prizes and 41 third prizes. 41 Patent Technology Awards were received, including 10 gold prizes, 31 silver prizes; 113 outstanding thesis articles were shortlisted, including 17 articles with first prizes, 32 articles with second prizes and 64 articles with third prizes. There were a total of 175 scientific achievements authenticated in 2011. In the aspect of verification of technological achievements, the Company identified a total of 176 items, with 5 of them meeting international leading standards and 32 of them on a par with international advanced standards. In the aspect of compilation of standards, the Company participated as chief editor and editor of 45 national standards and 4 industrial standards.

5. *Industrialization of Achievements*

In 2011, the Company had 31 construction methods up to national standards from 2009 to 2010, making it among the top of the state-owned building enterprises. In particular, it had 9 top national construction methods, representing 6% of the total; 15 secondary national construction methods, representing 4% of the total and 7 upgraded national construction methods, representing 7% of the total. In addition, it had 5 "Greening Exemplary Projects of the National Building Industry" (全國建築業綠色示範工程) and 10 approved MCC model projects for new building technology application for 2011.

(III) Risk Factors

The financial position and operating results of the Company are affected comprehensively by global and national macro economies, the development and relative adjustment and control measures of the industries we are in, as well as fiscal and monetary policies of the State. The main risk factors include:

1. *Trends of Global and National Macro Economies*

Operations of each business of the Company are influenced by global and national macroeconomic environment. Macroeconomic trends at home and abroad may affect various business processes including purchasing, production and sales, and hence lead to fluctuation of the Company's operating results.

Business revenue of the Company is mainly domestic. The State has been going through rapid economic growth in recent years, with GDP growing at more than 8% for several consecutive years. However, during different periods of economic growth, performance of the Company's business operations may still vary.

2. *Industry Policies and Changes in both Domestic and Overseas Market Demands*

Different businesses of the Company including engineering and construction, equipment manufacturing, resources development and property development are all under the influence of relevant industry policies. The State's recent implementation of industrial control on the steel industry, adjustment and reform plan on the steel industry and the equipment manufacturing industry, and industry policies on resources development and property development; as well as industrial cyclical fluctuations and changes in states of operation of upstream and downstream companies will all considerably influence and guide the future business focus and strategic planning of the Company, hence also affecting the financial position and operating results of the Company.

Engineering and construction services provided by the Company may be affected by changes in industry policies which influence overall demand. Metallurgical equipments, products of resources development and property development might also be affected by changes in demand in related markets and hence influencing the financial position of the Company.

Point 1 and 2 mentioned above are the major risk factors that influence the result of the Company in 2012.

3. *Changes in State Policy on Taxation and Exchange Rate*

The changes in policy on taxation and exchange rate will affect the operating results of the Company:

(1) The Influence of Changes in Policy on Taxation

The changes in State policy on taxation will affect the financial position of the Company by affecting the tax burdens of the Company and subsidiaries.

Some of the subsidiaries of the Company are benefiting from the tax incentive policy for the development of China's west, the tax incentive policy for coastal development zones, special economic zones and new and high technology companies, as well as resource tax and property development tax, which all can be affected by changes in State policy on taxation. Changes in relevant tax incentive policies may affect the financial performance of the Company.

(2) The Influence of Monetary Policy

Part of the business revenue of the Company is from overseas markets. Changes in exchange rates may expose the Company's overseas business revenue to exchange rate risk.

Meanwhile, with the ever enhancing marketization mechanism of interest rates of the State, any adjustment on bank reserve requirement ratio or changes in deposit and loan rates will affect the financing cost as well as interest income of the Company.

4. *Changes in Major Raw Material Prices*

The Company's business in engineering and construction, resources development and property development, all involve using raw materials including steel, wood, cement, explosive initiator, waterproof material, geomaterial and addition agent. The Company's business in equipment manufacturing involves also the using of steel and electronic parts. Affected by output quantity, market situation and material cost, prices of the above stated raw materials may vary, and hence expose the Company to the market risk of price fluctuation in specific raw materials and consumables.

5. *Construction Subcontracting Expense*

For engineering and construction projects, the Company may, according to different situations, subcontract non-crucial construction parts to subcontractors. On one hand, subcontracting can boost the capacity of the Company to undertake large-scale projects and to fulfill contracts with flexibility. On the other hand, management of subcontractors and control on subcontracting costs may also affect profit on projects.

6. *State of Operation of Subsidiaries and Key Projects*

MCC Huludao Nonferrous Metals Group Co., Ltd. (中冶葫蘆島有色金屬集團有限公司), a subsidiary of the Company, has been loss-making for a long period of time. Though the Company has been seeking solutions through implementing various measures, no significant improvement is observed. In the future, the state of operation or solution of the subsidiary will considerably influence the result of the Company. Projects financed by A Share proceeds such as the Ramu nickel laterite mine project and 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 are all in progress or undergoing equipment testing. The state of operation of these projects, as well as the progress and final audit result of the EPC contract of the SINO ore mine construction project in Western Australia will affect the financial performance of the Company to a relatively large extent.

7. *Enhancement in Operation Management Quality*

The quality of operation management can significantly influence the result of a company. The Company will strive further to perfect management structure and corporate organizational structure, strengthen operation management and internal control system, improve management quality and effectiveness, and perfect assessment and incentive system of the Company. By innovating in the management system, energy and creativity will be stimulated throughout the Company. Whether these management goals are effectively implemented will also considerably influence the increase in operating results of the Company.

8. *Non-even Distribution of Income*

Operating revenue of the Company mainly comes from engineering and construction business. Since income of the business is affected by factors including government's project approval on fixed assets, public holidays and "freeze period" in the north, business revenue of the Company is usually higher in the second half of the year than the first half, leading to an uneven distribution of income.

(IV) Prospects

Notwithstanding the impact of the State's macro control policy over the iron and steel industry which in turn impacted the metallurgical engineering and construction undertakings of the Company to a certain extent, the economic restructuring in China and reshuffling of the world industries will also bring considerable opportunities to the Company.

On the global stage, as the world economy gradually picked up and economic growth of certain emerging economies and developing countries accelerated, certain countries have a strong demand for expansion of iron and steel capacity and an increase in iron and steel investment, which presented opportunities for the Company to ''go global'' and expand its engineering and construction market.

At home, the monetary policy has, to a certain extent, impacted the Company's engineering and construction business and its property development business with a rise in the cost to obtain fund. Meanwhile, however, as the State expedited urbanization and increased its support and protection of people's livelihood and social course such as stepping up efforts in social welfare housing and redevelopment of urban shanty areas, these initiatives provides a certain kind of capital buffer for the Company's engineering business and social welfare housing development business. As the State enhanced its effort in environmental protection, there are growing market potentials for urban wastewater treatment and the solid waste disposal industry, which is also one of the industries where the Company has a niche. The above mentioned presents opportunities for the Company to explore non-steel markets. In view of the domestic iron and steel industry, given that the State has attached importance to energy saving, remedies of industrial pollution and development of a cyclical economy, set higher standards for environmental protection of iron and steel enterprises, iron and steel enterprises have strengthened their environmental protection initiatives. Meanwhile, state incentives and support of large-scale iron and steel enterprises have increased industry concentration and restructured and optimized the industry structure and the Company is presented with market potentials to further reinforce its market share in the iron and steel industry.

II. RESULTS

At the beginning of 2012, based on the preliminary forecast of the annual trading and financial positions in 2011, the Company anticipated that, in 2011, the Company's share of the net profits attributable to the shareholders of the listed company reduced by 20%-30% compared to 2010 with a warning announcement issued on 30 January 2012.

The annual results of the Company for the year ended 31 December 2011 are set out in the consolidated income statement on page 140 to 141. The financial highlights of the Company for the last five financial years on page 266 are extracted from the financial statements for the year and the H Share Prospectus of the Company.

III. DIVIDENDS

On 17 June 2011, the distribution of 2010 final dividend of RMB0.047 (tax inclusive) per share, aggregating to RMB898 million, had been approved by Shareholders at the annual general meeting of the Company.

The Board does not intend to distribute any final dividend for the year ended 31 December 2011. Relevant proposals will be tabled at the Company's 2011 AGM for consideration and approval.

IV. DONATIONS

During the Reporting Period, the Company made charitable and other donations amounting approximately to RMB154,000.

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 2011 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 2011, 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 or their associates 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 or the rights granted for the purchase of shares or debentures of the Company or any of its associated corporations are as follows:

Unit: share

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 (%)
Jing Tianliang	Chairman	A Shares	Long position	Beneficial owner	50,000	0	0
Wang Weimin	Vice Chairman and Executive Director	A Shares	Long position	Beneficial owner	50,000	0	0
Shen Heting	President and Executive Director	A Shares	Long position	Beneficial owner	50,000	0	0
Han Changlin	Chairman of Supervisory Committee	A Shares	Long position	Beneficial owner	30,000	0	0
Guo Wenqing	Employee Representative Director	A Shares	Long position	Beneficial owner	30,000	0	0
Chen Yongkuan	Independent non-executive Director	A Shares	Long position	Beneficial owner	30,000	0	0
Peng Haiqing	Supervisor	A Shares	Long position	Beneficial owner	30,000	0	0
Shao Bo	Employee Representative Supervisor	A Shares	Long position	Beneficial owner	25,000	0	0
				Interests of spouse	1,000	0	0

Save as disclosed above and as at 31 December 2011, as far as the Company is aware, none of the Directors, Supervisors or the chief executive of the Company or their associates 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.

SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2011, as far as the Company is aware, interests of other senior management of the Company in the shares of the Company are as follows:

Unit: Share

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 *(%)*
Huang Dan	Vice President	A Shares	Long position	Beneficial owner	30,000	0	0
Li Shiyu	Vice President, Chief Accountant (chief financial officer)	A Shares	Long position	Beneficial owner	30,000	0	0
Zhang Zhaoxiang	Vice President	A Shares	Long position	Beneficial owner	30,000	0	0
Wang Xiufeng	Vice President	A Shares	Long position	Beneficial owner	30,000	0	0
Kang Chengye	Secretary to the Board and Joint Company Secretary	A Shares	Long position	Beneficial owner	30,000	0	0

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

As at 31 December 2011, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Holders of A Shares

Unit: share

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

Holders of H Shares

Unit: share

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

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

Save as disclosed above, to the best knowledge of the Directors, Supervisors and chief executive of the Company, as at 31 December 2011, no other person or corporation was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position that would fall to be disclosed to the Company under 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 10% of the purchase amount of the Company, while the aggregate revenue from the top five customers of the Company accounted for less than 10% 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 142 to 143 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, if there are any discrepancies.

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 2011, the Company had a distributable reserve of approximately RMB10,950 million.

XII. USE OF PROCEEDS

(I) Overall status of the use of proceeds

1. *Overall status of the use of proceeds*

The Company raised net proceeds of HK$15,585 million in total through the H Share offering on 24 September 2009. During the Reporting Period, the proceeds raised through the H Share offering used by the Company amounted to HK$3,118 million. As at the end of the Reporting Period, the used H Share proceeds amounted to HK$10,333 million, while the unused H Share proceeds amounted to HK$5,906 million (including unused listing fees, withholding taxes and interests, etc). H Share proceeds raised by the Company were used for purposes in line with those disclosed in the H Share Prospectus. The H Share proceeds which remain temporarily unused have been deposited in the account designated for raised proceeds.

The Company raised total net proceeds of RMB18,359 million through the A Share offering in September 2009. During the Reporting Period, the proceeds raised through the A Share offering used by the Company amounted to RMB2,974 million. As at the end of the Reporting Period, the A Share proceeds already used amounted to RMB13,088 million, while the unused portion amounted to RMB5,434 million (including interest accrued from proceeds deposited in the bank and unutilized proceeds for temporary replenishment of the Company's working capital). Except for provisionally replenishing the working capital, 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 undertaken by the Company.

2. *Capital raising during the reporting period to temporarily supplement the liquidity and its repayment*

Upon consideration and approval at the 15th meeting of the first session of the Board held by the Company in August 2010, the Company and its subsidiaries had utilized RMB1.8 billion of aggregate unused A Share proceeds in 2010 to temporarily replenish its working capital for a term of no more than 6 months. The Company had fully returned the aforementioned proceeds to the Company's designated account for A Share proceeds on 17 February 2011.

Upon consideration and approval at the 21st meeting of the first session of the Board held by the Company in March 2011, the Company was approved to utilize the unused A Share proceeds of no more than RMB1.8 billion to temporarily replenish working capital of the members of the Company for a term of no more than 6 months. The Company and its subsidiaries had utilized RMB1.775 billion of aggregate unused A Share proceeds to temporarily replenish working capital. The Company had fully returned the aforementioned proceeds to the Company's designated account for A Share proceeds on 27 September 2011.

Upon consideration and approval at the 28th meeting of the first session of the Board held by the Company in October 2011, the Company was approved to utilize a faction of the unused A Share proceeds of no more than RMB1.8 billion to temporarily replenish working capital of the Company for a period of no more than 6 months. Pursuant to the above resolution, the Company and its subsidiaries had utilized RMB1.735 billion of aggregate unused A Share proceeds to temporarily replenish working capital.

(II) Use of proceeds for projects undertaken

1. *Use of proceeds raised from H Share offering*

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	158,645.68	In progress	Cannot be confirmed until completion of the project	Injection period
Overseas construction projects	No	Approximately 45% of H Share proceeds	700,000.00	Completed	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			1,033,259.66			

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

(1) 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	0.00%	Internal rate of return of 11.01%	Cannot be confirmed until completion of the project	—	The infrastructure stripping and large-scale construction of the mining area is to commence upon the handover of land ownership by the Afghanistan government due to the excavation of relics in the mining area, land acquisition and village relocation. As at the end of the Reporting Period, the Afghanistan government had generally completed the land acquisition and relocation plans and provided part of the information to the Company. The experts of relics designated by the Afghanistan government are currently conducting the excavation work of the spots of relics in the middle mine area] that require immediate excavation. At present, the Afghanistan government is putting more efforts in the excavation of relics and land acquisition. The Company and relevant parties have taken various measures to facilitate the progress of the project.
Ramu nickel laterite mine project	No	250,000.00	250,000.00[1]	Yes	100.00%	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	Yes	75,000.00[2]	33,484.17	No	44.65%	N/A	N/A	N/A	Upon the change of use of proceeds approved at the 2010 AGM of the Company, the construction of the major investment project is making progress in accordance with the modified plan of the use of proceeds,. Part of the proceeds has not been put in place.
Acquisition of equipment for engineering and construction and research and development	No	500,000.00	171,514.56	No	34.30%	Internal rate of return of 15.99%	Cannot be confirmed until completion of the project	—	Actual proceeds used were below the planned amount. As at the end of the Reporting Period, equipment purchase was under progress.
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	64,300.00	Yes	100.00%	Internal rate of return of 10.65%	As the equipment is undergoing debugging and the project has not been inspected and ramped up to its production capacity, the revenue to be generated from the project cannot be estimated, nor can it be confirmed until the project ramps up to targeted production capacity.	—	

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	44,044.10[1]	Yes	100.00%	Internal rate of return of 17.60%	Profit accumulated to RMB9.5465 million	Yes	
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	17,538.63	No	50.84%	Internal rate of return of 20.90%	Cannot be confirmed until completion of the project	–	Actual proceeds used were below the planned amount. As at the end of the Reporting Period, the project entered into the winding-up period. Part of the final payment for equipment remains outstanding. The production line is under trial run. There will be some unused proceeds as expected.
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	Yes	0.00[3]	0.00	–	--	–	--	–	
Property development project in Gaohang Town, Pudong	No	58,800.00	58,800.00	Yes	100.00%	Internal rate of return of 16.35%	Profit accumulated to RMB532,018.5 million	Yes	
The property development project of old town area renovation work (Phase II) in Yuan Yang Town, Jing Kai Yuan, North New District, Chongqing	No	50,000.00	43,059.13	No	86.12%	Internal rate of return of 29.07%	Cannot be confirmed until completion of the project	–	The project ran smoothly, mainly attributable to the strengthened project planning and management on the general contracting as well as reasonable use of proceeds. Therefore, the payment was delayed as scheduled provided that the progress and quality were guaranteed.
large multi-ram die forgings and heavy equipment automation industrial base construction project	No	48,200.00[3]	0.00	No	0.00%	Internal rate of return of 17.10%	Cannot be confirmed until completion of the project	–	Subject to the payment
Replenishment of working capital and repayment of bank loans	No	475,000.00[2]	475,000.00	N/A	N/A	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	N/A	N/A	N/A	N/A	N/A	
Total		1,835,897.24	1,308,837.87						

Note 1: the actual amount of proceeds invested in the Ramu nickel laterite mine project and the project in Caofeidian, Tangshan in relation to 500,000 tons of cold bend steel and steel structures project, less the amount of proceeds to be invested, was the interest generated from the respective account designated for raised proceeds.

Note 2: upon consideration and approval at the 2010 AGM held on 17 June 2011, it was agreed that the use of RMB750 million out of RMB1,500 million, the proceeds intended to be invested in the innovation base project of the National Steel Structures Engineering Technology Research Center, to be changed as replenishment of working capital of the Company.

Note 3: upon consideration and approval at the 2010 AGM held on 17 June 2011, 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 had been entirely substituted for "large multi-ram die forgings and heavy equipment automation industrial base construction project".

(2) Change of projects to be financed by A Share proceeds

Upon consideration and approval at the 21st meeting of the first session of the Board held by the Company in March 2011, it was approved to replace previously invested internal funds used in projects financed by proceeds with RMB1.248 billion of A Share proceeds. As at 20 April 2011, the Company had completed the replacement of previously invested internal funds used in projects financed by proceeds with proceeds of RMB1.248 billion in total as mentioned above.

During the Reporting Period, adjustments to the two projects financed by A Share proceeds (for details, please refer to the Company's overseas regulatory announcement disclosed on 31 March 2011) were considered and approved at the 2010 AGM of the Company, details of which are set out as follows:

① The construction under the innovation base project of the "National Steel Structures Engineering Technology Research Center" (the "Innovation Base Project") was mainly undertaken by Central Research Institute of Building and Construction Co., Ltd., MCC Group (hereafter as "Central Research Institute") as proposed. However, the existing properties of Central Research Institute were unable to satisfy the construction needs of the project. Therefore, the construction plan for the Innovation Base Project needed to be adjusted. The construction plan for certain large laboratories was cancelled. The construction relating to the "open service area" in the original plan for the Innovation Base Project was proposed to be cancelled and certain fundamental works were proposed to be outsourced. To address the problem of delay in the investment of proceeds and to improve capital efficiency, the Company proposed to adjust part of the investment plan for the project, and the use of RMB750 million of the proceeds from the A Share offering was changed with such amount to be used to replenish the working capital of the Company.

② Unjustifiable expansion of capacities in the wind power equipment manufacturing industry was required to be strictly controlled due to the impact of the amendments to the national guideline for industrial development. Accordingly, 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 (the "Wind Power Tower Project") would not pay off as the conditions for its implementation have undergone significant changes. Upon careful research and verification, the Company determined to substitute the Wind Power Tower Project for the "Large Multi-ram Die Forgings and Heavy Equipment Automation Industrial Base Construction Project".

For particulars of the progress of the projects invested by the proceeds upon adjustments, please refer to "Use of proceeds in projects undertaken to be financed by A Share proceeds" on page 54 of this report.

XIII. MAJOR 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 operation since July 2009. Phase II commenced construction in early 2010 and was proceeding with the civil engineering of the steel slag powder processing line, the equipment installation of the ore powder processing line and the civil engineering construction of the joint warehouse by the end of the Reporting Period.	The construction of phase I had secured its basic revenue since its commencement of production and operation for that then year 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 the construction planning drawing which included 17 sub-items had completed in full. The project will enter into the winding-up period upon the coordination of the government.	The project is under construction and has not generated any revenue.
The High-tech Industrialization Project of the Recycling Use of Polysilicon By-products by Luoyang China Silicon Hi-tech Corporation (洛陽中硅高科技有限公司)	170,616	The originally planned construction of the project has fully completed and the project has commenced production in July. The project was under steady operation by virtue of reliable technologies. The construction of the silicon core workshop, the newly-added sub-item of this project, was drawn to an end, with equipment debugging under progress.	The project is undergoing debugging and has not generated any revenue.

Name of project	Project amount	Progress of project	Revenue generated from the project
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 construction and expected to complete the construction by June 2012.	WISDRI (Wuhan) Heavy Machinery Co., Ltd , WISDRI Automation (中冶南方(武漢)自動化有限公司) and WISDRI (Wuhan) WIS Industrial Furnace Co., Ltd. (中冶南方(武漢)威仕工業爐有限公司) under the Company had moved to the electromechanical industrial park by the end of 2010. In 2011, the above three subsidiaries of the Company achieved an aggregate production value in equipment manufacturing of RMB837 million with gross profit ramping up to RMB62.69 million.
Phase I of Xinyu cold-rolled silicon steel project (新餘冷軋硅鋼項目一期)	87,500	The project progressed smoothly. During the Reporting Period, No. 1 and No. 2 production lines of phase I have been put into production and ramped up to the production capacity.	Such project signed an external contract with a value of RMB1,672 million, sold products of 204,500 tons and recorded a revenue of RMB1,094 million in 2011.
Tibet Mengya'a lead-zinc mine project (西藏蒙亞啊鉛鋅礦項目)	36,485	The construction of the processing plant of the project had been fully completed. The project commenced trial production in July 2011.	The project was put into trial production and has not generated any revenue.
Total	501,516.17	—	—

XIV. EMPLOYEES AND REMUNERATION POLICY

(I) Employees of the Company

As at 31 December 2011, the Company employed a total of 127,746 staff.

Level of education of employees:

Level of Education	Number of Current Employees	Percentage
Above graduate degree	7,282	5.70%
Undergraduate degree	37,152	29.08%
Associate degree	28,465	22.28%
Below associate degree	54,847	42.94%
Total	127,746	100.00%

The age structure of current employees:

Age	Number of Current Employees	Percentage
56 and above	3,306	2.59%
51-55	10,434	8.17%
46-50	17,920	14.03%
41-45	22,008	17.22%
36-40	19,267	15.08%
Below 35	54,811	42.91%
Total	127,746	100.00%

Structure of profession of current employees:

Profession	Number of Current Employees	Percentage
Engineering and construction	105,511	82.60%
Equipment manufacturing	9,801	7.67%
Resources development	11,781	9.22%
Property development and others	653	0.51%
Total	127,746	100.00%

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, and duly established the enterprise annuity regulations in 2010 to provide further pension insurance for the staff in their days of retirement. In accordance with applicable PRC laws and regulations, the amount of contributions to the aforesaid social securities is strictly based on state, provincial, autonomous region 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 general meetings. The Remuneration Committee of the Board 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 2011 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

As at the end of the Reporting Period, the members of the Board are as below:

Name	Position	Nominating Party	Commencement of Term of Office
Jing Tianliang	Chairman and Non-executive Director	Parent	June 2010
Wang Weimin	Vice Chairman and Executive Director	Parent	November 2008
Shen Heting	Executive Director and President	Parent	November 2008
Guo Wenqing	Employee Representative Director	Assembly of Employee Representatives (公司職工代表大會)	June 2009
Jiang Longsheng	Independent Non-Executive Director	Parent	November 2008
Wen Keqin	Independent Non-Executive Director	Parent	November 2008
Liu Li	Independent Non-Executive Director	Parent	November 2008
Chen Yongkuan	Independent Non-Executive Director	Parent	November 2008
Cheung Yukming	Independent Non-Executive Director	Parent	June 2009

Note: From November 2008 to November 2011, the members of the first session of the Board of the Company have been in office for 3 years. Pursuant to the provisions of the Articles of Association, prior to the establishment of the second session of the Board and the election of new Directors, the members of the first session of the Board shall still discharge their duties.

As at the end of the Reporting Period, members of the Company's Supervisory Committee are as follows:

Name	Position	Nominating Party	Commencement of Term of Office
Han Changlin	Chairman of Supervisory Committee	Parent	November 2008
Peng Haiqing	Supervisor	Parent	November 2008
Shao Bo	Employee Representative Supervisor (職工代表監事)	Assembly of Employee Representatives	January 2011

Note: From November 2008 to November 2011, the members of the first session of the Supervisory Committee of the Company have been in office for 3 years. Pursuant to the provisions of the Articles of Association, prior to the establishment of the second session of the Supervisory Committee and the election of new supervisors, the members of the first session of the Supervisory Committee shall still discharge their duties.

XVIII. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As Mr. Shao Jinhui, a former employee representative Supervisor of the Company, has reached his statutory retirement age, the Company held an Assembly of Employee Representatives on 18 January 2011, 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.

The appointment of Mr. Shao Bo took effect on 18 January 2011. The remuneration of Mr. Shao Bo was determined in accordance with the Company's internal provisions and procedures.

Save for disclosed above, as at 31 December 2011, there's no additional appointment or dismissal of Directors, Supervisors and senior management members.

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

During the Reporting Period, none of the Directors or Supervisors, unless disclosed in the relevant announcements, directly or indirectly had a material interest in any contract of significance to the Company which were entered into by the Company, its subsidiaries or subsidiaries of its holding company.

XXI. DIRECTORS' INTERESTS IN BUSINESS COMPETING WITH THE COMPANY

During the Reporting Period, 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

On 31 December 2011, the emoluments received by 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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB '000		*RMB '000*		*RMB '000*		*RMB '000*	
Directors								
Jing Tianliang	**259**	121	**—**	—	**—**	—	**259**	121
Wang Weimin	**318**	286	**30**	28	**365**	480	**713**	794
Shen Heting	**318**	286	**30**	28	**365**	480	**713**	794
Guo Wenqing	**288**	259	**30**	28	**328**	432	**646**	719
Jiang Longsheng	**177**	149	**—**	—	**—**	—	**177**	149
Wen Keqin	**168**	145	**—**	—	**—**	—	**168**	145
Liu Li	**185**	150	**—**	—	**—**	—	**185**	150
Chen Yongkuan	**142**	129	**—**	—	**—**	—	**142**	129
Cheung Yukming	**146**	116	**—**	—	**—**	—	**146**	116
Supervisors								
Han Changlin	**288**	259	**30**	28	**328**	432	**646**	719
Peng Haiqing	**178**	162	**30**	28	**305**	305	**513**	495
Shao Bo	**233**	—	**30**	—	**317**	—	**580**	—

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.

17 proposals, including the Proposal Related to 2010 Work Report of Directors of MCC (《關於<中國中冶2010年度董事會工作報告>的議案》), the Proposal Related to 2010 Report of Supervisory Committee of MCC (《關於<中國中冶2010年度監事會報告>的議案》), the Proposed Final Account of MCC for Year 2010 (《關於中國中冶2010年財務決算的議案》), the Proposed Profit Distribution Plan of MCC for 2010 (《關於中國中冶2010年度利潤分配的議案》), the Proposal Related to 2011 Guarantee Plan of MCC (《關於中國中冶2011年度擔保計劃的議案》), the Proposed Appointment of Domestic and Overseas Audit Institutions of MCC for 2011 (《關於中國中冶聘請2011年度境內、境外審計機構的議案》), the Proposal Related to Emoluments of the Directors and the Supervisors of MCC for 2010 (《關於中國中冶董事、監事2010年度薪酬的議案》), the Proposal for Adjustments to Investment Projects (Wind Tower Tube) Financed by Part of the Proceeds of MCC (《關於中國中冶變更部分募集資金投資項目(風電塔筒)的議案》), the Proposal for Adjustments to Investment Projects (Innovation Base) Financed by Part of the Proceeds of MCC (《關於中國中冶變更部分募集資金投資項目(創新基地)的議案》), the Proposal in Relation to the "Application for Waivers of Continuing Connected Transactions from 2012 to 2014"(《關於申請2012年至2014年持續性關聯／連交易豁免額度的議案》), the Proposed Grant of General Mandate for Share Issue of MCC (《關於中國中冶發行股份一般授權的議案》), the Proposed Grant of General Mandate for Repurchase of Shares of MCC (《關於中國中冶回購股份一般授權的議案》), the Resolution Regarding the Registration and Issuance of Short-term Financing Bills of MCC for 2011 (《關於中國中冶2011年度註冊發行短期融資券的議案》), the Resolution Regarding the Registration and Issuance of Medium Term Notes of MCC for 2011 (《關於中國中冶2011年度註冊發行中期票據的議案》), the Resolution Regarding the Registration and Issuance of Debt Financing Instruments of MCC for 2011 (《關於中國中冶2011年度註冊發行債務融資工具的議案》), the Proposed Amendments to the Articles of Association of MCC (《關於修訂中國中冶<公司章程>的議案》) and the Proposed Amendments to Rules and Procedures For Board Meetings of MCC (《關於修改中國中冶<董事會議事規則>的議案》) were considered and approved at the 2010 AGM of the Company. Meanwhile, the 2010 Performance Report by Independent Non-executive Directors of Metallurgical Corporation of China Ltd.* (《中國冶金科工股份有限公司2010年度獨立非執行董事述職報告》) was received. The Proposed Grant of General Mandate for Repurchase of Shares of MCC (《關於中國中冶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/H Shares in 2011.

Upon consideration and approval at the AGM, the Company had appointed PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers as the domestic and international auditor of the Company for the year 2011 respectively, responsible for the completion of business registration in respect of the changes in the Articles of Association as well as the issuance of short-term financing bills. In addition, the Company has fully implemented profit distribution in 2010 as scheduled.

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.

1. 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 2011.

Unit: RMB million

Item	Transaction		Annual Cap for 2011	For the year ended 31 December 2011
A.	**Continuing Connected Transaction with Ansteel**			
	1	Provision of integrated products to the Company by Ansteel	500	9
	2	Provision of services to Ansteel by the Company	4,000	1,628
B	**Continuing Connected Transaction with Pansteel**			
	3	Provision of integrated products to the Company by Pansteel	500	376
	4	Provision of services to Pansteel by the Company	9,000	5,175
C	**Continuing Connected Transaction with the Parent Group**			
	5	Leasing of land use rights from the Parent Group to us	N/A	N/A
	6	Leasing of properties from the Parent Group to us	90	57
	7(a)	Provision of raw materials, products and services to the Company by the Parent Group	360	167
	7(b)	Provision of raw materials, products and services to the Parent Group by the Company	960	133
	8	Licensing of trademarks to the Parent Group by the Company	N/A	N/A

2. According to the Proposal in Relation to the "Application for Waivers of Continuing Connected Transactions from 2012 to 2014" (《關於申請2012年至2014年持續性關聯／連交易豁免額度的議案》) considered and approved at the 21st meeting of the first session of the Board held by the Company on 31 March 2011, it was approved to determine the caps of continuing connected transactions entered into between the Company and the Parent Group within the two years from 2013 to 2014, as well as the caps of continuing connected transactions entered into between the Company and Pansteel and Ansteel within the three years from 2012 to 2014. In addition, according to the Proposal in Relation to the "Application for Waivers of Daily Connected Transactions / Continuing Connected Transactions with Wusteel from 2012 to 2014" (《關於申請2012年至2014年與武鋼日常關聯／持續性關連交易豁免額度的議案》)considered and approved at the 33rd meeting of the first session of the Board held by the Company on 27 to 29 March 2012, it was approved to determine the caps of continuing connected transactions entered into between the Company and Wusteel within the three years from 2012 to 2014 and submit such caps for the consideration at the general meeting. Details of the caps of continuing connected transactions entered into between the Company and connected persons are as follows:

Unit: RMB0'000

Type of connected transaction	2012	2013	2014
A. Continuing connected transactions with Ansteel			
Provision of integrated products to the Company by Ansteel	11,000	12,000	13,000
Provision of services to Ansteel by the Company	240,000	250,000	260,000
B. Continuing connected transactions with Pansteel			
Provision of integrated products to the Company by Pansteel	50,000	55,000	60,000
Provision of services to Pansteel by the Company	600,000	630,000	650,000
C. Continuing connected transactions with the Parent Group			
Leasing of properties to the Company by the Parent Group	9,000	9,000	9,000
Provision of raw materials, products and services to the Company by the Parent Group	37,000	40,000	42,000
Provision of raw materials, products and services to the Parent Group by the Company	95,000	100,000	110,000
D. Continuing connected transactions with Wusteel			
Provision of integrated products to the Company by Wusteel	130,000	150,000	150,000
Provision of services to Wusteel by the Company	420,000	510,000	500,000

For details, please refer to the Company's announcements of "New and Revised Annual Caps for Certain Continuing Connected Transactions", ''New Annual Caps for Continuing Connected Transactions in Respect of 2012-2014'' and ''New Annual Caps for Continuing Connected Transactions in Respect of 2012 to 2014 Entered into with Wusteel'' published on the website of the Hong Kong Stock Exchange on 29 October 2010, 31 March 2011 and 29 March 2012, respectively.

A. Continuing Connected Transaction with Ansteel

During the Reporting Period, Ansteel was a substantial shareholder of the Company's subsidiary, ACRE Coking & Refractory Engineering Consulting Corporation, MCC ("ACRE"), which held 10.67% of shares 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 and a procurement team to implement the procurement procedure.

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

We believe that it is in our interests to purchase 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 increase in the cost such an interruption of construction or a 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

During the Reporting Period, Pansteel was a substantial shareholder of the Company's subsidiary, CISDI Engineering Co., Ltd. ("CISDI"), which held 13.34% of shares of the CISDI. As such Pansteel and its associates therefore 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 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 and a procurement team to implement the procurement procedure.

We and/or our subsidiaries have entered into contracts 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 is 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 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 increase in the cost such as an interruption of construction or a 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 shares. 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 relevant 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 relevant listing rules

Land Use Rights Leasing Agreement

We have entered into a land use rights leasing agreement ("Land Use Rights Leasing Agreement") with the Parent on 5 December 2008, pursuant to which the Parent Group has 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 evaluated 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. Pursuant to the agreement, the Company has already engaged an independent valuer to conduct an evaluation on the amount of rent payable under the agreement and agreed to further execute such agreement.

Properties Leasing Agreement

We have on 5 December 2008 entered into a properties leasing agreement with the Parent Group 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 practices 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 evaluated 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. Pursuant to the agreement, the Company has already engaged an independent valuer to conduct an evaluation on the amount of rent payable under the agreement and, upon the consideration and approval of the 33rd meeting of the first session of the Board of the Company on 27 to 29 March 2012, agreed to further execute such agreement.

Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement

As part of the Reorganization, the Parent Group retained certain ancillary assets and services 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.

According to such agreement which has expired on 1 December 2011, the term of such agreement will be automatically renewed or extended for 3 years upon the agreement between the Company and the Parent Group, subject to the provisions of relevant laws and regulations as well as regulatory rules. Upon consideration and approval of at the 33rd meeting of the first session of the Board of the Company convened on 27 to 29 March 2012, it was agreed that such agreement would renew for another 3 years.

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／中冶" 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 rights shall not affect the rights of the parties under the Trademark Licensing Agreement.

D. Continuing Connected Transactions with Wusteel

On 28 December 2011, Wuhan Iron and Steel Engineering and Technology Group Co., Ltd. (武漢鋼鐵工程技術集團有限責任公司) (hereafter as ''Wusteel Engineering and Technology'', a subsidiary of Wusteel, injected capital to WISDRI Engineering & Research Incorporation Limited ("WISDRI"), a subsidiary of the Company. Upon the capital injection, Wusteel Engineering and Technology became a substantial shareholder of WISDRI and held 11.191% of the shares of WISDRI. As such, Wusteel Engineering and Technology and its associates, including Wusteel, became 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 Wusteel on the basis of actual needs primarily for our engineering and construction business ("Wusteel Integrated Products"). The integrated products mainly include steel. The procurement of the Wusteel 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 and a procurement team to implement the procurement procedure.

We and/or our subsidiaries have entered into contracts with Wusteel and/or its associates in respect of each individual connected transaction between them in relation to the procurement of the Wusteel Integrated Products. The fees payable in respect of the Wusteel 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 is provided by independent third parties in the ordinary course of business.

We believe that it is in our interests to procure the Wusteel Integrated Products from Wusteel, 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 Wusteel from time to time. The engineering and construction services include research, planning, surveying, consulting, design, procurement, construction, installation, maintenance, supervision and certain technical services ("Wusteel E&C Services").

The Wusteel 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 Wusteel 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 Wusteel and/or its associates in respect of each individual connected transaction between them in relation to the provision of the Wusteel 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 Wusteel 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 increase in the cost such as an interruption of construction or a lack of water or electricity.

We believe that it is in our interests to undertake the transactions in relation to the provision of the Wusteel 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.

The above continuing connected transactions are in the benefits 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 favorable 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 Company in page 65 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	Urban complex	667,543.40	3,844,700.00	Construction in progress	The project is at the pre-demolition stage.	2017	80%
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配套服務區控規組團)	Mixed land use	678,258.00	218,634.00	Construction in progress	partially founded	31 December 2015	100%
A land parcel for Gengyang New City in Fengrun District, Tangshang City, Hebei Province (河北省唐山市豐潤區浭陽新城地塊)	Residential	767,050.00	2,300,000.00	Construction in progress	20%	2020	100%
(2009)-No.42, 43, 44 land parcels of Ganjingzi District, Dalian City, Liaoning Province	Residential-commercial	377,879.30	443,442.22	Construction in progress	25%	2015	60%
A land parcel in Hongshi Town in Pi County, Chengdu, Sichuan Province (四川省成都市郫縣紅石村宗地)	Commercial	222,011.10	1,060,000.00	Construction in progress	36%	2015	100%
A land parcel located at Nanxing Station of Line 11 of Jiading Rail Transit, Shanghai (上海市嘉定區南翔鎮軌交11號線)	Commercial and Residential Office	53,630.00	177,557.00	Construction in progress	80%	By the end of 2012	70%
A land parcel at a paper making plant at Longsha District of Qiqihar City,Heilongjiang Province	Residential-commercial	172,700.00	335,500.00	Construction in progress	60%	2013	90%
Sembawang apartment, Singapore	Residential	22,567.80	34,266.73	Construction in progress	41%	2012	100%
Yishun District (義順區), Singapore	Residential	15,074.07	42,208.00	Construction in progress	36%	2013	100%
A land parcel of the port service area of Hengqin District, Zhuhai City, Guangdong Province (廣東省珠海市橫琴區口岸服務區地塊)	Commercial office	80,046.95	400,000.00	Construction in progress	1%	By the end of 2015	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
Huayuan Hotel, No.28 of Xiao Yun Lu of Chaoyang District, Beijing City (北京市朝陽區霄雲路28號華園飯店)	Commercial	11,198.72	57,767.00	Construction in progress	60%	2012	100%
Phase II old city renovation of Yuanyang, Northern New District, Chongqing (重慶北部新區鴛鴦舊城改造二期)	Mixed land use	124,399.00	294,214.39	Construction in progress	Main building completed	19 June 2012	95%
A land parcel at the southern and western part of Yuhua Avenue, Phoenix New City, Lubei District, Tangshan City, Hebei Province (河北省唐山市路北區鳳凰新城裕華道南側及北側地塊)	Commercial	149,908.68	252,436.91	Construction in progress	20%	2016	100%
G17 land parcel at Development Zone, Baotou City, Inner Mongolia (內蒙古包頭市開發區G17地塊)	Commercial	221,821.50	883,526.00	Construction in progress	15%	2015	60%
Chang'an Dadu at Northern Qujiang Road, Eastern part of Northern Xinkaimen Road in Qujiang New District, Xi'an City, Shaanxi Province and (陝西省西安市曲江新區曲江路以北,新開門北路以東長安大都)	Residential	80,197.90	243,000.00	Construction in progress	15%	2015	100%
A land parcel at Northern Phoenix New City, Tangshan City road, Hebei Province」河北省唐山市路北區鳳凰新城地塊)	Residential-commercial	97,325.24	301,054.56	Held for sale	100%	Construction completed	51%
Land parcel 2008-14/15 Jintang (Gua), Tanggu District, Tianjin City (天津市塘沽區津塘(掛)2008-14/15地塊)	Residential	121,772.40	277,889.16	Construction in progress	100%	2012	90%
Small District, Southern Road, MCC School, Baotou (包頭中冶校園南路小區)	Residential	341,288.45	606,482.39	Construction in progress	19%	2013	70%
A land parcel of Northern Phoenix City, Tangshan City, Hebei Province (河北省唐山市路北區鳳凰新城地塊)	Residential-commercial	78,525.86	190,045.44	Construction in progress	60%	2014	51%

XXVIII. COMPLIANCE WITH THE HONG KONG LISTING RULES AND 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.

XXIX. AUDITORS

Upon consideration and approval at the 2010 AGM, the Company 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 2011. The financial statements prepared in accordance with IFRS have been audited by PricewaterhouseCoopers. A resolution for the appointments of the international auditor and domestic auditor of the Company respectively for the year ending 31 December 2012 will be submitted to the 2011 AGM of the Company for consideration and approval after separate review.

XXX. EXPLANATIONS OF THE BOARD ON THE AUDITOR'S REPORT WITH AN EMPHASIS OF MATTER

PricewaterhouseCoopers ("PwC Hong Kong") issued an auditor's report with an emphasis of matter on the financial statements of the Company for the year ended 31 December 2011.

1. The details of PricewaterhouseCoopers's emphasis of matters are as follows:

"We draw attention to Note 18 (as cross-referred to in Note 5) to the consolidated financial statements, which explained that the accumulated costs of certain contracts have exceeded their current contract values agreed by the customer. Based on the Group's assessment, management believes that all the contract costs are recoverable and no provision for foreseeable losses is needed. There is a significant uncertainty surrounding this matter in respect of whether losses would eventually arise on these contracts, which depends on the results of the special purpose audits to be undertaken on the contract costs incurred and the relevant negotiations. Our opinion is not qualified in respect of this matter."

2. Description of relevant information

Relevant information about specific contracts disclosed in Note 18 (as cross-referred to in Note 5) : in August 2007, the Parent signed an agreement with Sino Iron Pty Ltd, a subsidiary of CITIC Pacific, regarding Western Australia ("WA") SINO Iron Ore Project, with a total contract value of USD1.75 billion. Subsequently with the agreement of both parties, the Parent's contractual rights and obligations under the agreement were amended to be undertaken by MCC Mining (Western Australia) Pty Ltd ("MCC WA"), a subsidiary of the Company. The project commenced in April 2009. Due to multiple adjustments of the process plan and the underestimate of Australian laws and standards and exchange rate fluctuations by CITIC Pacific, the parties had begun to negotiate additional contract prices since the second half of 2009, and signed the Supplemental Agreement II on 11 May 2010 which increased the contract value by USD835 million, and then signed another Supplementary Agreement III on 30 December 2011 which further increased the contract value by USD822 million. The current contract value of the project has so far increased to USD3.407 billion. Although the final outcome of the project are depending on the special purpose audits results on project costs upon completion of the first and second production lines and will be determined through negotiations among the relevant parties, the Company believes that MCC and CITIC Pacific have established a good communication and coordination mechanism for the WA SINO Iron Ore Project, so the problem of project cost will be reasonably resolved. The Company believes that the costs incurred under the contracts and the estimated contract costs to complete the contracts are expected to be recoverable, thus revenues of the project are recognised to the extent of actual costs incurred, without recognising any profit margin, and the Company also believes that it is not necessary to make any provision for foreseeable contract losses.

The aforesaid matter has been disclosed in the Notes to the financial statements for the year ended 31 December 2011, which complies with International Financial Reporting Standards and the related disclosure requirements.

3. Measures adopted by the Company

The Company will continue to strengthen the on-site management of WA SINO Iron Ore Project, strictly control the costs and constantly improve the delicacy management. According to the agreements signed with CITIC Pacific, it will start the collation of data and complete the relevant preparation for the special purpose audits on project costs. It will also accelerate the construction of the project, strive to complete the first production line by May 31, 2012, and put the first and second production lines into operation by August 31, 2012 and December 31, 2012 respectively. In the meantime, it will endeavor to promote the project settlement and follow-up negotiations with the owner-CITIC Pacific. In cases when certain contract costs become unrecoverable or when it is probable that the total contract costs will exceed total contract values, a loss will be recognized immediately.

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

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

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

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

The Board believes that the auditor's report issued by PwC Hong Kong has given an objective opinion on the Company's financial statements, which reflect its financial position as at 31 December 2011 and its operating results in 2011, and the relevant information about its report with an emphasis of matter is true. The Company has disclosed relevant information about these matters in the notes to the 2011 financial statements, which conforms to International Financial Reporting Standards and its disclosure requirements. The management has adopted several measures and formulated proactive solutions to address these matters. The Board has approved and would support the measures taken by the management, and will continue to pay attention and jointly promote the implementation of relevant tasks with the management.

The independent directors of Company believe that the auditor's report issued by PwC Hong Kong has given an objective opinion on the Company's financial statements, which reflect its financial position as at 31 December 2011 and its operating results in 2011. The description made by the Board on the auditor's report issued by PwC Hong Kong has reflected the actual situation of the Company. We will continue to pay close attention and request the Company to earnestly carry out the management of WA SINO Iron Ore Project, especially on the progress of the construction, cost control, collection and collation of relevant documents and data and the special purpose audits on project costs, so as to ensure the recoverability of the project costs.

Report of the Supervisory Committee

I. WORK OF THE SUPERVISORY COMMITTEE

On 31 March 2011, the Company convened the 9th meeting of the first session of the Supervisory Committee and considered and approved a total of ten proposals as follows: the Proposal in relation to the Adjustments to the Investment in the Wind Tower Power Project Financed by Part of the Proceeds from the Share Offering of MCC, the Proposal in relation to the Adjustments to the Investment in the Innovation Base Project Financed by Part of the Proceeds from the Share Offering of MCC, the Special Report on the A Share Proceeds of MCC, the Proposal in relation to the Utilization of Unused A Share Proceeds for Another Replenishment of Working Capital of MCC, the Proposal in relation to the Final Account of MCC for 2010, the Proposal in relation to the Profit Distribution Plan of MCC for 2010, the Proposal in relation to the Self-Evaluation Report on Internal Control of MCC for 2010, the Proposal in relation to the Social Responsibility Report of MCC for 2010, the Proposal in relation to the 2010 Annual Report of MCC, and the Proposal in relation to the Report of the Supervisory Committee of MCC for 2010.

On 27 April 2011, the Company convened the 10th meeting of the first session of the Supervisory Committee, considered and approved the Proposal in relation to the First Quarterly Report of MCC for 2011, and debriefed the Internal Audit Opinion Report on the Financial Position of MCC for the First Quarter of 2011 (《關於對中國中冶2011年一季度財務狀況的內部審閱意見的匯報》).

On 8 July 2011, the Company convened the 11th meeting of the first session of the Supervisory Committee, and debriefed the Report on the Updated List of Related Persons/Connected Persons of MCC (《關於更新中國中冶關聯人/關連人士清單的匯報》).

On 30 August 2011, the Company convened the 12th meeting of the first session of the Supervisory Committee, considered and approved a total of three proposals as follows: the Proposal in relation to the Special Report on A Share Proceeds of MCC, the Proposal in relation to the Interim Financial Report of MCC for 2011, and the Proposal in relation to the Interim Report of MCC for 2011.

On 28 October 2011, the Company convened the 13th meeting of the first session of the Supervisory Committee, considered and approved the Proposal in relation to the Proposal in relation to the Utilization of Unused A Share Proceeds for Replenishment of Working Capital, the Proposal in relation to the Third Quarterly Report of MCC for 2011, and debriefed the Internal Audit Opinion Report on the Third Quarterly Report of MCC for 2011 (《關於中國中冶2011年度第三季度財務報告內部審核意見的匯報》).

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE OPERATIONS OF THE COMPANY IN ACCORDANCE WITH THE LAW

The Supervisory Committee supervised law-abiding operation of the Company by way of attending general meetings and Board meetings (as observers). The Supervisory Committee is of the opinion that the convening procedures and voting methods of the general meetings and Board meetings of the Company complied with the requirements of the Company Law, the Securities Law and the Articles of Association, and other laws and regulations. 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, 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

By analysing the monthly financial reports of the Company, debriefing the work reports of the finance department and conducting on-site inspections over the financial management, budget execution and final accounts of certain subsidiaries, 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 and has complied with the PRC Accounting Law and relevant financial rules and regulations.

Each of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company audited the Company's financial report for 2011 and issued an auditors' report unqualified with explanatory paragraphs. The Supervisory Committee is of the opinion that the annual financial report of the Company for 2011 truly and objectively reflected the financial position and results of operations of the Company.

IV. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON THE LATEST ACTUAL USE OF THE RAISED PROCEEDS

During the Reporting Period, the Supervisory Committee of the Company played a supervisory role regarding 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》), with the proceeds being invested in the same projects as designated by the Company. The changes made by the Company in respect of the use of a portion of A Share 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 transactions of the Company in 2011 were reasonable. Neither any insider trading nor any behaviour to the detriment of the interests of the Company and shareholders was found. During the Reporting Period, the Company was not involved in any material disposal of assets.

VI. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE CONNECTED TRANSACTIONS OF THE COMPANY

The Supervisory Committee is of the opinion that the decision-making procedures on the connected transactions of the Company during 2011 complied with the requirements of relevant laws, regulations and the Articles of Association of the Company. Such transactions were priced on the principle of equal value exchange and fair market conditions, and were open, fair and just, and not to the detriment of the interest of the Company and its shareholders.

VII. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE AUDITOR'S REPORT WITH AN EMPHASIS OF MATTER

The auditors issued an auditors' report with an emphasis of matter paragraph on the annual report of the Company in 2011. The Supervisory Committee is of the opinion that the report was made on a prudent and objective basis and concentrated on the emphasis of matter.

VIII. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE EVALUATION REPORT ON THE INTERNAL CONTROL FOR THE YEAR 2011

The Supervisory Committee reviewed the evaluation report on the internal control of the Company for the year 2011 and did not have any dissents thereon.

Management Discussion and Analysis

I. OVERVIEW

For the year ended 31 December 2011, the Company's revenue amounted to RMB229,721 million, representing an increase of 11.30% over the same period last year. Profit attributable to equity holders of the Company amounted to RMB4,243 million, representing a decrease of 20.26% as compared with the same period last year. Earnings per share for 2011 was RMB0.22.

The following is the financial results for the year ended 31 December 2011 compared to the year ended 31 December 2010.

II. CONSOLIDATED OPERATING RESULTS

1. Revenue

The Company is mainly engaged in engineering and construction, equipment manufacturing, resources development, property development and other business. In 2011, the revenue of the Company amounted to RMB229,721 million, representing an increase of RMB23,324 million or 11.30% as compared with RMB206,397 million in 2010. The increase was mainly attributable to the increases in the segment revenues of most segments of the Company. Segment revenues of engineering and construction, equipment manufacturing, resources development and other business segments increased by RMB22,265 million or 14.06%, RMB3,599 million or 33.85% and RMB1,590 million or 14.35%, RMB238 million or 4.10% respectively, while revenue from property development decreased by RMB4,859 million, representing a decrease of 19.00% as compared with last year (all before inter-segment elimination).

2. Cost of sales and gross profit

The Company's cost of sales primarily includes cost of materials (raw materials, products and work-in-progress consumed, equipment purchased and consumables used), subcontracting charges, employee benefits and other costs. In 2011, cost of sales of the Company amounted to RMB208,567 million, representing an increase of RMB22,932 million or 12.35% as compared with RMB185,635 million in 2010. The increase was mainly attributable to the increase in cost of materials, subcontracting cost and labour cost following the expansion of the Company business.

In 2011, the gross profit of the Company amounted to RMB21,154 million, representing an increase of RMB392 million or 1.89% as compared with RMB20,762 million in 2010. Gross profit margin of the Company was 9.21% for 2011, 0.85% lower than 10.06% for 2010.

In 2011, all the segments of the Company, namely engineering and construction, equipment manufacturing, resources development, property development and other businesses, recorded a gross profit of RMB16,346 million, RMB1,038 million, RMB1,137 million, RMB2,391 million and RMB222 million respectively, and the gross profit margins were 9.05%, 7.29%, 8.97%, 11.54% and 3.67% respectively (all before inter-segment elimination).

3. Operating profit

In 2011, the operating profit of the Company amounted to RMB9,312 million, representing a decrease of RMB1,124 million or 10.77% as compared with RMB10,436 million in 2010. The decrease was mainly attributable to the decrease of RMB1,721 million or 45.15% in the operating profit of the property development business of the Company as compared to 2010. The resources development segment recorded an operating loss of RMB689 million in 2011 as compared to an operating profit of RMB552 million in 2010. The equipment manufacturing business recorded an operating profit of RMB5 million in 2011 as compared to an operating loss of RMB103 million in 2010. The operating profit of the engineering and construction business and other business increased by RMB1,422 million or 21.61% and RMB99 million or 471.43% respectively as compared to 2010 (all before inter-segment elimination).

4. Finance income

The Company'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 and gain from debt restructuring. Finance income of the Company for 2011 amounted to RMB1,643 million, representing an increase of RMB794 million or 93.52% as compared with RMB849 million for 2010, mainly attributable to the significant increase in interest income arising from advances made by the Company for BT projects during the year.

5. Finance costs

The Company's finance costs consisted mainly of interest expenses on bank borrowings and borrowings from other financial institutions, net foreign exchange gains on borrowings, and discount charges on bank acceptance notes, less amounts capitalized in construction in progress and amounts capitalized in properties under development. Finance costs of the Company increased by RMB1,452 million or 50.49% from RMB2,876 million for 2010 to RMB4,328 million for 2011, mainly attributable to the increase in interest expense on borrowings as a result of the rise of financial cost.

6. Share of profits of associates

The Company's share of profits of associates is the profits attributable to the Company from its associates, net of the losses attributable to the Company from its associates, pursuant to its equity interests in such associates. The Company's share of profits of associates decreased by RMB78 million or 58.21% from RMB134 million for 2010 to RMB56 million for 2011.

7. Profit before income tax

As a result of the foregoing, the Company's profit before income tax decreased by RMB1,860 million or 21.77% from RMB8,543 million for 2010 to RMB6,683 million for 2011.

8. Income tax expense

The Company's income tax expense decreased by RMB1 million or 0.03% from RMB2,972 million for 2010 to RMB2,971 million for 2011. The Company's effective tax rate was 44.46% for 2011, up 9.67% from 34.79% for 2010, mainly attributable to the increase in unrecognized tax loss and temporary difference of certain subsidiaries of the Company as compared to the previous year.

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 Loss attributable to non-controlling interests for 2011 amounted to RMB531 million, while the profit attributable to non-controlling interests for 2010 amounted to RMB250 million.

10. Profit attributable to equity holders of the Company

Based on the above, the profit attributable to equity holders of the Company decreased by RMB1,078 million or 20.26% from RMB5,321 million for 2010 to RMB4,243 million for 2011.

Margin of profit attributable to equity holders of the Company decreased from 2.58% for 2010 to 1.85% for 2011.

III. DISCUSSION OF RESULTS BY SEGMENT

The following table sets forth the Company's revenue, gross profit and segment profit for the years ended 31 December 2011 and 2010.

	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 *(Note 1)* For the year ended 31 December	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB million	*RMB million*	***RMB million***	*RMB million*	**%**	%	***RMB million***	*RMB million*	**%**	%
Engineering and construction	**180,646**	158,381	**16,346**	13,708	**9.05%**	8.66%	**8,002**	6,580	**4.43%**	4.15%
% of the total	**77.10%**	74.89%	**77.35%**	65.40%			**83.98%**	60.58%		
Equipment manufacturing	**14,231**	10,632	**1,038**	935	**7.29%**	8.79%	**5**	-103	**0.04%**	-0.97%
% of the total	**6.07%**	5.03%	**4.91%**	4.46%			**0.05%**	-0.95%		
Resources development	**12,674**	11,084	**1,137**	1,449	**8.97%**	13.07%	**(689)**	552	**-5.44%**	4.98%
% of the total	**5.41%**	5.24%	**5.38%**	6.91%			**-7.23%**	5.08%		
Property development	**20,717**	25,576	**2,391**	4,708	**11.54%**	18.41%	**2,091**	3,812	**10.09%**	14.90%
% of the total	**8.84%**	12.09%	**11.31%**	22.46%			**21.94%**	35.10%		
Other business	**6,049**	5,811	**222**	162	**3.67%**	2.79%	**120**	21	**1.98%**	0.36%
% of the total	**2.58%**	2.75%	**1.05%**	0.77%			**1.26%**	0.19%		
Subtotal	**234,317**	211,484	**21,134**	20,962	**9.02%**	9.91%	**9,529**	10,862	**4.07%**	5.14%
Inter-segment elimination	**(4,596)**	(5,087)	**20**	(200)			**20**	(200)		
Total	**229,721**	206,397	**21,154**	20,762	**9.21%**	10.06%	**9,549**	10,662	**4.16%**	5.17%
Unallocated costs.							**(237)**	(226)		
Total operating profit							**9,312**	10,436		

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

1. Engineering and construction

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

The following table sets forth the principal result information for engineering and construction business for the years ended 31 December 2011 and 2010.

	For the year ended 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Segment revenue	**180,646**	158,381
Cost of sales	**(164,300)**	(144,673)
Gross profit	**16,346**	13,708
Selling and marketing expenses	**(745)**	(721)
Administrative expenses	**(8,503)**	(6,994)
Other income and gains	**904**	587
Segment result	**8,002**	6,580
Depreciation and amortisation	**1,289**	1,143

Segment revenue. Segment revenue from engineering and construction business increased by RMB22,265 million or 14.06% from RMB158,381 million for 2010 to RMB180,646 million for 2011. The increase was mainly attributable to the implementation of previously undertaken projects and the undertaking and implementation of new projects during the period.

Cost of sales and gross profit. Cost of sales of engineering and construction business increased by RMB19,627 million or 13.57% from RMB144,673 million for 2010 to RMB164,300 million for 2011. Percentage of cost of sales against segment revenue decreased to 90.95% for 2011 from 91.34% for 2010. The decrease was mainly attributable to the tightening of cost control among all subsidiaries of the Company.

Gross profit generated from the engineering and construction business increased by RMB2,638 million or 19.24% from RMB13,708 million for 2010 to RMB16,346 million for 2011. Gross profit margin of engineering and construction business increased to 9.05% for 2011 from 8.66% for 2010. The increase was mainly attributable to the increase in contribution of income from projects with high gross profit margin. Meanwhile facing the ever mounting pressure arising from the rise of procurement cost and subcontracting charges, all subsidiaries of the Company further strengthened cost optimization.

Selling and marketing expenses. Selling and marketing expenses incurred for the engineering and construction business increased by RMB24 million or 3.33% from RMB721 million for 2010 to RMB745 million for 2011.

Administrative expenses. Administrative expenses incurred for the engineering and construction business increased by RMB1,509 million or 21.58% from RMB6,994 million for 2010 to RMB8,503 million for 2011. The increase was mainly attributable to the rise in expenses of research and development as well as the rise in employees' salary.

Other income and gains. Other income and gains for the engineering and construction business increased by RMB317 million or 54.00% from RMB587 million for 2010 to RMB904 million for 2011. The increase was mainly attributable to the increase in government grants.

Segment result. Segment result of the engineering and construction business increased by RMB1,422 million or 21.61% from RMB6,580 million for 2010 to RMB8,002 million for 2011.

2. Equipment manufacturing

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

The following table sets forth the principal result information for equipment manufacturing business for the years ended 31 December 2011 and 2010.

	For the year ended 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Segment revenue	**14,231**	10,632
Cost of sales	**(13,193)**	(9,697)
Gross profit	**1,038**	935
Selling and marketing expenses	**(262)**	(209)
Administrative expenses	**(1,052)**	(892)
Other income and gains	**281**	63
Segment result	**5**	(103)
Depreciation and amortisation	**588**	311

Segment revenue. Segment revenue from the equipment manufacturing business increased by RMB3,599 million or 33.85% from RMB10,632 million for 2010 to RMB14,231 million for 2011. The increase was mainly attributable to the commencement of new production lines and the undertaking of new projects.

Cost of sales and gross profit. Cost of sales incurred from the equipment manufacturing business increased by RMB3,496 million or 36.05% from RMB9,697 million for 2010 to RMB13,193 million for 2011. Percentage of cost of sales against segment revenue increased to 92.71% for 2011 from 91.21% for 2010. The increase was mainly attributable to the increase in procurement costs.

Gross profit of the equipment manufacturing business increased by RMB103 million or 11.02% from RMB935 million for 2010 to RMB1,038 million for 2011. Gross profit margin of the equipment manufacturing business decreased to 7.29% in 2011 from 8.79% for 2010. The decrease was mainly attributable to the decrease in gross profit margin as a result of the increase in procurement costs.

Selling and marketing expenses. Selling and marketing expenses incurred for the equipment manufacturing business increased by RMB53 million or 25.36% from RMB209 million for 2010 to RMB262 million for 2011.

Administrative expenses. Administrative expenses incurred for the equipment manufacturing business increased by RMB160 million or 17.94% from RMB892 million for 2010 to RMB1,052 million for 2011.

Other income and gains. Other income and gains for the equipment manufacturing business increased by RMB218 million or 346.03% from RMB63 million for 2010 to RMB281 million for 2011. The increase was mainly attributable to the increase in government grants.

Segment result. Segment result of the equipment manufacturing business recorded RMB5 million for 2011, as compared with a loss of RMB103 million for 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 2011 and 2010.

	For the year ended 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Segment revenue	**12,674**	11,084
Cost of sales	**(11,537)**	(9,635)
Gross profit	**1,137**	1,449
Selling and marketing expenses	**(242)**	(150)
Administrative expenses	**(1,333)**	(829)
Other income and (expenses)/ gains	**(251)**	82
Segment result	**(689)**	552
Depreciation and amortisation	**657**	569

Segment revenue. Segment revenue of resources development business increased by RMB1,590 million or 14.35% from RMB11,084 million for 2010 to RMB12,674 million for 2011. The increase was mainly attributable to the increase in sales volume of polysilicon of Luoyang China Silicon Hi-tech Corporation (洛陽中硅高科技有限公司), a subsidiary of the Company.

Cost of sales and gross profit. Cost of sales incurred from resources development business increased by RMB1,902 million or 19.74% from RMB9,635 million for 2010 to RMB11,537 million for 2011. Cost of sales in revenue increased from 86.93% for 2010 to 91.03% for 2011.

Gross profit of resources development business decreased by RMB312 million or 21.53% from RMB1,449 million for 2010 to RMB1,137 million for 2011. Gross profit margin of the resources development business decreased from 13.07% for 2010 to 8.97% for 2011. The decrease was mainly attributable to the increase in product cost of MCC Huludao Nonferrous Metals Group Co., Ltd., a subsidiary of the Company, coupled with the declining selling price during the year, as well as the emergence of negative gross profit as the selling price of part of the raw materials (copper concentrates) sold, being inventories for the previous year, was lower than the procurement price.

Selling and marketing expenses. Selling and marketing expenses incurred for resources development business increased by RMB92 million or 61.33% from RMB150 million for 2010 to RMB242 million for 2011.

Administrative expenses. Administrative expenses incurred for the resources development business increased by RMB504 million or 60.80% from RMB829 million for 2010 to RMB1,333 million for 2011. The increase was mainly attributable to the increase in employees' salary, repair expenses, and etc..

Other income and (expenses)/ gains. Other expenses for the resources development business amounted to RMB251 million for 2011, while other income and gains for the resources development business amounted to RMB82 million for 2010. Other expenses from resources and development business for 2011 was mainly attributable to the increase in loss from disposal of non-current assets.

Segment result. Segment result of the resources development business was a loss of RMB689 million for 2011, while a profit of RMB552 million was recorded in 2010. The loss from the segment result of the resources development business for 2011 was mainly attributable to the substantial loss incurred by MCC Huludao Nonferrous Metals Group Co., Ltd., a subsidiary of the Company.

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 2011 and 2010.

	For the year ended 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Segment revenue	**20,717**	25,576
Cost of sales	**(18,326)**	(20,868)
Gross profit	**2,391**	4,708
Selling and marketing expenses	**(509)**	(366)
Administrative expenses	**(641)**	(659)
Other income and gains	**850**	129
Segment result	**2,091**	3,812
Depreciation and amortisation	**45**	31

Segment revenue. Segment revenue of property development business decreased by RMB4,859 million or 19.00% from RMB25,576 million for 2010 to RMB20,717 million for 2011. The decrease was mainly attributable to a decrease in the number of property development projects that were ready for sale in 2011. Meanwhile, the macro control of the State also posed adverse impact on the revenue from property development of the Company to a certain extent.

Cost of sales and gross profit. Cost of sales incurred from the property development business decreased by RMB2,542 million or 12.18% from RMB20,868 million for 2010 to RMB18,326 million for 2011. Percentage of the cost of sales against segment revenue increased from 81.59% for 2010 to 88.46% for 2011.

Gross profit of the property development business decreased by RMB2,317 million or 49.21% from RMB4,708 million for 2010 to RMB2,391 million for 2011. Gross profit margin of the property development business decreased from 18.41% for 2010 to 11.54% for 2011, mainly attributable to the decreased proportion of commercial properties and residential and commercial properties with higher gross profit margin.

Selling and marketing expenses. Selling and marketing expenses incurred for the property development business increased by RMB143 million or 39.07% from RMB366 million for 2010 to RMB509 million for 2011.

Administrative expenses. Administrative expenses incurred for property development business decreased by RMB18 million or 2.73% from RMB659 million for 2010 to RMB641 million for 2011.

Other income and gains. Other income and gains for the property development business for 2011 amounted to RMB850 million, representing an increase of RMB721 million or 558.91% as compared with other income and gains of RMB129 million in 2010, which was mainly attributable to the increase in investment income.

Segment result. Segment result of property development business decreased by RMB1,721 million or 45.15% from RMB3,812 million for 2010 to RMB2,091 million for 2011, which was mainly attributable to the decrease in revenue and gross profit margin of property development projects.

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 2011 and 2010.

	For the year ended 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Segment revenue	**6,049**	5,811
Cost of sales	**(5,827)**	(5,649)
Gross profit	**222**	162
Selling and marketing expenses	**(78)**	(84)
Administrative expenses	**(73)**	(89)
Other income and gains	**49**	32
Segment result	**120**	21
Depreciation and amortisation	**44**	39

Segment revenue. Segment revenue of other businesses increased by RMB238 million or 4.10% from RMB5,811 million for 2010 to RMB6,049 million for 2011. Segment revenue of other businesses is mainly generated from the import and export trading.

Cost of sales and gross profit. Cost of sales incurred from other businesses increased by RMB178 million or 3.15% from RMB5,649 million for 2010 to RMB5,827 million for 2011. Percentage of cost of sales against segment revenue decreased to 96.33% for 2011 from 97.21% for 2010.

Gross profit of other businesses increased by RMB60 million or 37.04% from RMB162 million for 2010 to RMB222 million for 2011. Gross profit margin of other businesses increased from 2.79% for 2010 to 3.67% for 2011.

Selling and marketing expenses. Selling and marketing expenses incurred for other businesses decreased by RMB6 million or 7.14% from RMB84 million for 2010 to RMB78 million for 2011.

Administrative expenses. Administrative expenses incurred for other businesses decreased by RMB16 million or 17.98% from RMB89 million for 2010 to RMB73 million for 2011.

Other income and gains. Other income and gains for other businesses increased by RMB17 million or 53.13% from RMB32 million for 2010 to RMB49 million for 2011.

Segment result. Segment result of other businesses increased by RMB99 million or 471.43% from RMB21million for 2010 to RMB120 million for 2011.

IV. LIQUIDITY AND CAPITAL RESOURCES

The Company'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 Company's liquidity requirements involve primarily our working capital needs, purchases of property, plant and equipment, and servicing our loans.

The Company 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 Company 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 Company for the years ended 31 December 2011 and 2010.

	For the year ended 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Net cash used in operating activities	**(12,631)**	(25,121)
Net cash used in investing activities	**(7,875)**	(11,335)
Net cash generated from financing activities	**23,989**	31,178
Net increase/ (decrease) in cash and cash equivalents	**3,483**	(5,278)
Cash and cash equivalents at the beginning of the year	**39,302**	44,740
Exchange losses on cash and cash equivalents	**(64)**	(160)
Cash and cash equivalents at the end of the period	**42,721**	39,302

2. Cash flows from operating activities

In 2011, the Company's net cash used in operating activities amounted to RMB12,631 million as compared with net cash used in operating activities of RMB25,121 million in 2010. The decrease of RMB12,490 million in net cash used in operating activities was mainly due to the fact that the increase in cash from sales of commodities and provision of labour surpassed the increase in cash paid for procurement of commodities and acceptance of services. However, as the BT projects like welfare housing, roads and bridges required the Company to make advances in the process of the project Implementation, the net cash flow from operating activities remained negative, even though the Company strengthened its management over funding.

3. Cash flows from investing activities

In 2011, the Company's net cash used in investing activities amounted to RMB7,875 million as compared to RMB11,335 million in 2010. The net cash flow used in investing activities decreased by RMB3,460 million, which was mainly due to the decrease in cash outflow for establishing and acquiring subsidiaries and the cash inflow resulting from the disposal of subsidiaries.

4. Cash flows from financing activities

In 2011, the Company's net cash generated from financing activities amounted to RMB23,989 million as compared to RMB31,178 million in 2010. The net cash flow from financing activities decreased by RMB7,189 million, which was mainly due to the decrease in funding acquired from issue of debentures.

5. Capital expenditures

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

The following table sets forth the capital expenditures of the Company by business for the years ended 31 December 2011 and 2010 respectively.

	For the year ended 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Engineering and construction business	**4,431**	4,592
Equipment manufacturing business	**2,239**	2,353
Resources development business	**3,816**	4,887
Property development business	**55**	96
Other businesses	**16**	667
Total	**10,557**	12,595

The Company's capital expenditures for the year ended 31 December 2011 amounted to RMB10,557 million, representing a decrease of RMB2,038 million or 16.18% from RMB12,595 million for the year 2010.

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 Company for the year ended 31 December 2011 and 2010.

	For the year ended 31 December	
	2011	2010
	days	*days*
The turnover days of the average trade receivables *(Note 1)*	**113**	91
The turnover days of the average trade payables *(Note 2)*	**106**	107

Note 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.

Note 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 2011 and 2010.

	As at 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Less than one year	**59,659**	47,738
One to two years	**15,102**	9,281
Two to three years	**3,108**	2,691
Three to four years	**1,213**	1,133
Four to five years	**721**	257
Over five years	**739**	674
Total	**80,542**	61,774

In 2011, the range in the aging of trade receivables remained fundamentally stable, with a modest increase in the proportion of trade receivables of one to two years and of two to three years as compared with those in 2010, mainly due to projects such as roads and bridges, public facilities and social welfare housing vigorously carried out by the Company's subsidiaries in the past two years through cooperation with governments, which usually requires the Company to make advances, thus leading to an increase in trade receivables as compared with last year.

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

	As at 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Within one year	**46,958**	47,145
One to two years	**9,060**	7,895
Two to three years	**2,821**	3,030
Over three years	**2,470**	1,666
Total	**61,309**	59,736

7. Retentions

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

	As at 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Current portion	**1,815**	1,284
Non-current portion	**278**	695
Total	**2,093**	1,979

V. INDEBTEDNESS

1. Borrowings

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

	As at 31 December	
	2011	2010
	RMB million	*RMB million*
Non-current		
Long-term bank borrowings		
— Secured *(Note 1)*	**6,200**	4,379
— Unsecured	**24,634**	23,552
	30,834	27,931

	As at 31 December	
	2011	2010
	RMB million	*RMB million*
Other long-term borrowings		
— Secured *(Note 1)*	**75**	—
— Unsecured	**212**	6,562
— Debentures *(Note 2(i))*	**21,364**	18,182
	21,651	24,744
Total non-current borrowings	**52,485**	52,675
Current		
Short-term bank borrowings		
— Secured *(Note 1)*	**2,824**	3,323
— Unsecured	**42,171**	18,995
	44,995	22,318
Other short-term borrowings		
— Secured *(Note 1)*	**1,315**	—
— Unsecured	**5,200**	4,952
— Debentures *(Note 2(ii))*	**17,000**	18,350
	23,515	23,302
Current portion of long-term bank borrowings		
— Secured *(Note 1)*	**2,274**	717
— Unsecured	**7,292**	6,380
	9,566	7,097
Current portion of other long-term borrowings		
— Unsecured	**6,600**	532
	6,600	532
Total current borrowings	**84,676**	53,249
Total borrowings	**137,161**	105,924

Note 1: Secured borrowings of the Company were secured by the Company's property, plant and equipment, land use rights and properties under development.

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

As approved Zhong Shi Xie Zhu [2010] No. MTN90 which was issued by by the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Medium-Term Notes ("MTN") for 2010 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 and with the issuer's redemption rights at the end of fifth year. If the Company 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%.

As approved by Zhong Shi Xie Zhu [2010] No. MTN90 which was issued by the National Association of Financial Market Institutional Investors, the Company issued its Tranche II MTN for 2010 on 15 November 2010 of RMB4,700 million, with a maturity of five years from issuance and interest rate of 4.72% per annum.

MCC Holding (Hong Kong) Co., Ltd. issued US dollar debentures for 2011 on 29 July 2011 at a discount to par value of US497 million, the aggregate principal amount is US500 million, with a maturity of five years from issuance. The debentures are guaranteed by the Parent. The debentures bear interests at a rate of 4.875% per annum. Interest will be paid every half year and principal will be paid upon maturity date.

(ii) As approved by Zhong Shi Xie Zhu No. [2010] CP68 which was issued by the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Short-Term Debentures for 2011 on 3 August 2011 at par value of RMB4,000 million, with a maturity of one year from issuance. The debentures are unsecured, and bear interests at a fixed rate of 5.71% per annum. Principal and interests are paid upon maturity date.

As approved by Zhong Shi Xie Zhu No. [2011] CP157 which was issued by the National Association of Financial Market Institutional Investors, the Company issued Tranche II Short-Term Debentures for 2011 on 30 August 2011 at par value of RMB3,000 million, with a maturity of one year from issuance. The debentures are unsecured and bear interests at a rate of 5.78% per annum. Principal and interests are paid upon maturity date.

As approved by Zhong Shi Xie Zhu No. [2010] CP133 which was issued by the National Association of Financial Market Institutional Investors, the Company issued Tranche III Short-Term Debentures for 2011 on 12 October 2011 at par value of RMB10,000 million, with a maturity of one year from issuance. The debentures were unsecured and bear interests at a rate of 6.12% per annum. Principal and interests are paid upon maturity date.

2. Financial Guarantee

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

	As at 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Outstanding guarantees *(Note 1)*		
— Third parties	**234**	288
— Related parties	**11**	100
Total *(Note 2)*	**245**	388

Note 1: The Company has acted as the guarantor mainly for various external borrowings made by certain third parties.

Note 2: The Company considers that 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.

3. Contingencies

	As at 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Pending lawsuits/arbitrations	**706**	318

The Company has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provisions have been made for the probable losses to the Company 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 management believes the outflow of resources is not probable.

VI. MARKET RISKS

The Company'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.

1. Foreign exchange risk

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

The Company's exposure to foreign exchange risk relates principally to its trade and other receivables, cash and cash equivalents, trade and other payables and borrowings that were denominated mainly in United States Dollars ("US dollar"), Hong Kong Dollars ("HK dollar") and Singapore Dollars ("Singapore dollar").

To monitor the impact of exchange rate fluctuations, the Company continually assesses and monitors its exposure to foreign exchange risk. The Company 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 2011, if RMB had strengthened by 5% (2010: 5%) against US dollar, HK dollar, Singapore 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 2011 would have been approximately RMB233 million higher (2010: RMB393 million higher), mainly as a result of foreign exchange losses/gains on translation of US dollar, HK dollar, Singapore dollar and other foreign currencies denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

2. Interest rate risk

The Company's exposure to interest rate risk relates principally to its restricted cash, cash and cash equivalents, trade and other receivables, trade and other payables and borrowings. Restricted cash, cash and cash equivalents, trade and other receivables, trade and other payables and borrowings at variable rates expose the Company to cash flow interest-rate risk, and those at fixed rates expose the Company to fair value interest-rate risk. As at 31 December 2011, approximately RMB498 million (2010: RMB430 million) of the Company's restricted cash, approximately RMB503 million (2010: RMB477 million) of the Company's cash and cash equivalents and approximately RMB54,658 million (2010: RMB54,254 million) of the Company's borrowings were at fixed rates.

To monitor the impact of interest rate fluctuations, the Company continually assesses and monitors its exposure to interest rate risk and 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 2011, if the interest rate on RMB-denominated borrowings and 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 2011 would have been RMB178 million lower and RMB24 million lower respectively, mainly as a result of higher interest expenses on bank borrowings and trade and other payables, mainly amounts due to related parties.

3. Price risk

The Company is exposed to equity securities price risk because the Company'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 Company's sensitivity to a 10% increase or 10% 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 10% to illustrate the equity price risk as the fluctuation in equity price is unpredictable.

	As at 31 December	
	2011	2010
Change in equity price	**10%**	10%

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Impact on profit for the year		
Increase/(decrease) in profit for the year		
— as a result of increase in equity price	**26**	–
— as a result of decrease in equity price	**(26)**	–
Impact on equity		
Increase/(decrease) in equity for the year		
— as a result of increase in equity price	**28**	65
— as a result of decrease in equity price	**(28)**	(65)

4. 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 represent the Company's main exposure to credit risk in relation to those financial assets.

Substantially all of the Company'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 Company and the Company that were fully performing has been renegotiated during the year.

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

5. Liquidity risk

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

	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 2011					
Borrowings	85,659	13,467	23,682	25,349	148,157
Trade and other payables	74,622	357	—	—	74,979
	160,281	13,824	23,682	25,349	223,136
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

Corporate Governance Report

I. OVERVIEW

Year 2011 marked the third year since the Company's listing on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. Over the year, the Company had, pursuant to the requirements of the Company Law, the Securities Law and the listing rules of both Shanghai and Hong Kong, committed itself to standardizing its corporate governance framework, tightening control over corporate operation, further standardizing information disclosure procedures, stepping up the maintenance of investor relations, as well as reinforcing systems of internal control and risk aversion and management, resulting in an ever-improving corporate governance.

During the Reporting Period, the Board, after taking into account of the new requirements of regulatory rules and a shift of the Company's focus in terms of business development and agenda of the Board, had revisited and improved the Company's existing governance system which, among others, included the Articles of Association, the Terms of Reference for Board Meetings (董事會議事規則), the Work Rules for Special Committees (專門委員會工作細則), as well as the management of connected transactions, Directors and equity affairs, so as to ensure that the Company's governance activities are conducted in compliance with the laws and regulations and in an orderly manner.

Under relevant regulatory requirements and in consideration of the actual needs of the Company, the amendments to the Articles of Association were considered and approved at the 2010 AGM of the Company, pursuant to which the duties and functions of Finance and Audit Committee of the Board were adjusted , whereby greater importance had been attached to enhancing scrutiny and management over the financial quality indicators of the Company's assets while the committee was newly assigned to be responsible for the control and daily management of connected transactions of the Company. Requirements for duties of the newly established Risk Management Committee were imposed, pursuant to which the Risk Management Committee is mainly responsible for the establishment of the risk management and internal control system, risk control of substantial issues regarding internal control , taking part in the review of efforts of internal control as well as project-based risk control and management.

The first session of the Board and the Supervisory Committee of the Company has been in office for 3 years. Pursuant to the provisions of the Articles of Association, prior to the establishment of the second session of the Board and the Supervisory Committee as well as the election of new Directors and Supervisors, the members of the first session of the Board and the Supervisory Committee shall still continue to discharge their duties. The Company is currently considering the composition of the second session of the Board and the Supervisory Committee, which is subject to relevant regulatory approvals, and any proposed nomination or re-election of directors and supervisors will be submitted to a general meeting of the Company for consideration or approval once the Company is in a position to do so.

The Board has reviewed the corporate governance report of the Company. Except for the requirement that each director shall be subject to retirement by rotation at least once every 3 years as set out in the Code Provision A.4.2 of the Code on Corporate Governance Practices (please see the above paragraph) and the Code Provision C. 3.3 regarding the "term of reference of the Audit Committee" of the Code on Corporate Governance Practices (please see page 109), the Board is of the view 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.

II. 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 17 June 2011, the Company convened the 2010 AGM, the first 2011 class meeting of the holders of A Shares and the first 2011 class meeting of the holders of H Shares. 17 proposals were considered and approved at the 2010 AGM. Such proposals involved the report of Directors, the report of the Supervisory Committee, the proposed final account report and the proposed profit distribution plan for 2010, the guarantee plans of the Company, the appointment of domestic and overseas auditors, the remunerations for Directors and Supervisors, the change of certain investing projects financed by proceeds, the application for waivers of continuing connected transactions, the amendments to the Articles of Association and the Terms of Reference for Board Meetings, as well as the registration and 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 2011 class meetings of the holders of A and H Shares. Please refer to the relevant announcement published on the website of the Stock Exchange on 17 June 2011 for details of resolutions of the aforesaid general meetings.

Mr. Jing Tianliang, Mr. Wang Weimin, Mr. Shen Heting, Mr. Guo Wenqing, Mr. Wen Keqin and Mr. Chen Yongkuan, the Directors of the Company, attended the above 2010 AGM and the first 2011 class meetings of the holders of A and H shares.

III. THE BOARD

At present, the Board of the Company comprises 9 Directors, 5 of whom are Independent non-executive Directors, representing a majority of the members of the Board. 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 positions other than Directors 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. The Independent non-executive Directors give objective and independent opinions on significant events, thus ensuring the independence and fairness of the decisions made by the Board on such matters.

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 term of office of each session of the Board is three years. The Directors are elected or replaced at general meetings and serve a term of office from the date of passing the resolutions of general meetings to the expiry date of the term of office of the current session of the Board. The Directors may serve consecutive terms upon expiry of their 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.

1. *Board meetings*

During the Reporting Period, the Board of MCC held 12 Board meetings (including two meetings held via communications) with 114 considered proposals and received reports. The details of meetings are as follows:

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
Jing Tianliang	12	10	2	0
Wang Weimin	12	10	2	0
Shen Heting	12	9	2	1
Guo Wenqing	12	9	2	1
Jiang Longsheng	12	10	2	0
Wen Keqin	12	9	2	1
Liu Li	12	10	2	0
Chen Yongkuan	12	9	2	1
Cheung Yukming	12	9	2	1

2. *Duties and operation of the Board*

The Board of the Company was elected at and accountable to Shareholders at general meetings. 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 within the authorization of general meetings, 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, the preparation for material acquisitions, purchases of the Company's shares, mergers, demergers, dissolutions or changes in the Company's form, as well as the formulation of the revision plan for the Articles of Association.

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; nominating the candidates for the members of the Board and the Secretary to 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 is mainly responsible for 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, the formulation of specific rules and regulations of the Company, the preparation of the merger, demerger or restructuring plans for subsidiaries of the Company under the requirements of the laws, administrative regulations, department rules or the Articles of Association, as well as other duties authorized by the Board.

During the Reporting Period, the Board reinforced the supporting function of its special committees in decision-making and improved corresponding procedures to ensure the accuracy and faithfulness of the decisions made, so as to further enhance the rationale of decision-making and realize the standardized and efficient operation of the Board. The Board also spared no efforts in expanding the information exchange channels, enhancing communications between the Company and its subsidiaries as well as conducting themed research activities. Meanwhile, the Company, leveraging the enhanced communication within the management and a keen eye on major issues, managed to improve the information sharing mechanism. In addition, major issues such as strategies, budget and adjustment thereof, final account, assessment and determination of salaries of management members, substantial investment and financing projects were proposed to the Board upon taking into account specific opinions from special committees that were grounded on in-depth research of the macro-economic environment, the capability of the Company and material risk exposures, so as to ensure that the Board have comprehensive and thorough understanding of relevant proposals. The Board enhanced the surveillance of key projects by requesting submission of progress reports semi-annually from relevant departments.

3. *Special Committees of the Board*

During 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. Such committees were accountable to the Board. The Independent non-executive Directors consisted of the majority of all the special committees (except the Strategy Committee) and served as chairman of the Finance and Audit Committee, the Nomination Committee and the Remuneration Committee.

During the Reporting Period, the Board gave more prominence to the supporting function of the special committees. Before special matters were submitted to the Board for consideration, the special committees would discuss and give corresponding opinions on such matters.

(1) Strategy Committee

In accordance with the Articles of Association, the Strategy Committee is accountable to the Board and 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.

The Strategy Committee under the Board was composed of 7 Directors, of whom Mr. Jing Tianliang serves as the chairman and Mr. Wang Weimin, Mr. Shen Heting, Mr. Guo Wenqing, Mr. Liu Li, Mr. Chen Yongkuan, Mr. Cheung Yukming serve as committee members.

During the Reporting Period, the Strategy Committee under the Board held two meetings with 3 considered proposals and received reports. Besides, it researched and implemented the Company's mid-to-long term development plan and initiated the discussion and research on the Company's investments during the Reporting Period. The attendance of meetings by each committee member is as follows:

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

(2) Finance and Audit Committee

In accordance with the requirements of the Articles of Association, the Finance and Audit Committee is accountable to the Board and mainly responsible for reviewing major financial control targets, supervising the implementation of financial regulatory system, and guiding the finance functions of the Company; formulating guarantee management policies and reviewing guarantee business; reviewing annual financial budgets and accounts and supervising their implementation; reviewing the financial analysis of major investment projects, monitoring the execution outcome of investment projects, and arranging for the review of the subsequent evaluation of the major investing and financing projects; reviewing the Company's proposals for profit distribution and recovery of losses and making recommendations in respect thereof; as well as reviewing the Company's quality indicators of assets and finance and making recommendations to the Board in respect thereof; supervising the Company's internal audit system and its implementation; reviewing the Company's financial information and its disclosure, independently auditing the Company's financial statements and issuing opinions in respect thereof; discharging control and management of connected transactions; as well as other duties authorized by the Board.

Pursuant to relevant requirements of the Implementing Guidelines for the Connected Transactions of Listed Companies of the Shanghai Stock Exchange (《上海證券交易所上市公司關聯交易實施指引》) issued by SSE in 2011, the Finance and Audit Committee under the Board of the Company shall be responsible for the control and daily management of the connected transactions of the listed companies, including verifying the list of the Company's related parties and reporting the same to the Board and the Supervisory Committee; and reviewing the major connected transactions to be entered into between the Company and its related parties, issuing a written opinion in respect thereof to the Board for consideration and reporting the same to the Supervisory Committee.

Pursuant to the requirement of Provision C3.3(f) of Code on Corporate Governance Practices contained in Appendix 14 of the Hong Kong Listing Rules, the Finance and Audit Committee under the Board of the Company is responsible for reviewing the Company's financial supervision, internal control and risk management systems. The Company attached great importance to risk management. In 2010, it established the Risk Management Committee, a committee specialized in the work of internal control and risk management, which led to 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.

The Finance and Audit Committee under the Board comprises 5 Directors, of whom Mr. Liu Li serves as the Chairman, Mr. Jing Tianliang, Mr. Jiang Longsheng, Mr. Wen Keqin and Mr. Cheung Yukming serve as committee members.

During the Reporting Period, the Finance and Audit Committee held 12 meetings with 57 considered proposals and received reports. In addition, it researched and implemented the Company's final account report and profit distribution in 2010, reviewed the summary report of the internal review work for 2010 and the internal review work plan for 2011, reviewed the list of the connected persons/parties of the Company and the Implementing Rules of Management on Connected Transactions of MCC (《中國中冶關聯／連交易管理實施細則》), received the report with regard to the issuance of bonds by the Company in Hong Kong, researched and implemented the Company's plan of temporarily replenishing the working capital with idle proceeds and the alteration of certain projects financed by proceeds. The attendance of meetings by each committee member is as follows:

Name of Directors	Number of attendance required for the Directors	Number of meetings attended in person
Liu Li	12	12
Jing Tianliang	12	12
Jiang Longsheng	12	12
Wen Keqin	12	11
Cheung Yukming	12	11

(3) Nomination Committee

Pursuant to the requirements of the Articles of Association, the Nomination Committee shall be accountable to the Board, 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.

The Nomination Committee of the Board comprised 5 Directors, namely Mr. Wen Keqin as the Chairman and Mr. Wang Weimin, Mr. Shen Heting, Mr. Jiang Longsheng and Mr. Chen Yongkuan as committee members.

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

(4) Remuneration Committee

Pursuant to the requirement of the Articles of Association, the Remuneration Committee shall be accountable to the Board, mainly responsible for studying the assessment criteria of Directors and Presidents, organizing assessment initiatives and offering recommendations in respect thereof, studying and reviewing the remuneration policies and proposals of Directors and senior management and discharging other duties authorized by the Board.

The Remuneration Committee of the Board comprised 5 Directors, namely Mr. Jiang Longsheng as the Chairman, and Mr. Jing Tianliang, Mr. Wen Keqin, Mr. Liu Li and Mr. Chen Yongkuan as committee members.

During the Reporting Period, the Remuneration Committee of the Board held 6 meetings altogether with 8 considered proposals and received reports, it studied and discussed management systems including the management methodologies on remuneration of senior management personnel of the Company, the provisional measures for performance assessment of senior management personnel of the Company, the provisional measures for performance assessment of directors of subsidiaries, the implementation procedures for assessment on financial performance of subsidiaries. In addition, it studied and arranged evaluation of the performance of senior management of the Company in 2010 and discussed remuneration distribution plans. Professional advice and recommendations were also submitted to the Board by the committee. The attendance of meetings by each committee member is as follows:

Name of Directors	Number of attendance required for the Directors	Number of meetings attended in person
Jiang Longsheng	6	6
Jing Tianliang	6	6
Wen Keqin	6	4
Liu Li	6	6
Chen Yongkuan	6	5

(5) Risk Management Committee

Pursuant to the requirements of the Articles of Association, the Risk Management Committee shall be accountable to the Board, mainly responsible for reviewing the construction plan of the comprehensive risk management and internal control systems, considering the regulations, procedures and major control targets in risk management and internal control as well as 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. In addition, it is responsible for reviewing resolution for management on material risks along with risks management strategies, considering the work evaluation program proposed by the internal control evaluation department as well as reviewing the evaluation report on internal control and submitting the same to the Board. Meanwhile, it is authorized by the Board to handle other matters relating to comprehensive risk management and internal control management and discharges other duties as required by applicable laws, regulations and listing rules of stock exchange on which the shares of the Company are listed.

The Risk Management Committee of the Board 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 of the Board held 2 meetings altogether with 3 considered proposals and received reports, at which it studied and discussed the work arrangement of comprehensive risks management of the Company and reviewed the self-evaluation report on internal control system of MCC and the implementation plan of internal control management of MCC for 2011. The attendance of meetings by each Director is as follows:

Name of Directors	**Number of attendance required for the Directors**	**Number of meetings attended in person**
Jing Tianliang	2	2
Wang Weimin	2	2
Shen Heting	2	2
Jiang Longsheng	2	2
Liu Li	2	2
Chen Yongkuan	2	2
Cheung Yukming	2	2

IV. SUPERVISORY COMMITTEE

During the Reporting Period, as Mr. Shao Jinhui, a former employee representative Supervisor, had reached his statutory retirement age, the Company held an Assembly of Employee Representatives on 18 January 2011, at which it was approved that Mr. Shao Jinhui will 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. At present, 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 Bo, 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 material issues including financial position, internal control, connected transactions, proceeds 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 with 16 considered proposals and 3 received reports.

The attendance of meetings by each Supervisor is 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 Bo	5	5

During the Reporting Period, the Supervisory Committee of the Company reviewed the financial statement and social responsibility report which were disclosed on a regular basis by MCC, studied the final account report and profit distribution reports for 2010 and supervised the internal control, the lists of related parties/connected persons as well as the management and utilization of relevant raised proceeds.

V. MODEL CODE FOR SECURITIES DEALINGS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code 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.

VI. INTERNAL CONTROL

(I) Statement of the accountability of the Directors in relation to internal control

The Board of the Company executes the decision-making right on operation. It endeavors to establish and improve the internal control policies and plans and supervise the implementation of the internal control system, thus being responsible for the establishment and supervision of the internal control system of the Company. It is the responsibility of the Board of the Company to establish, improve and effectively implement the internal control system.

(II) Construction of a sound internal control system of the Company

1. *Overall plan for the establishment of internal control*

In 2011, the Company committed itself to the promotion of internal control across five aspects, including internal control, risk assessment, controlling activity, information communication and inspection and supervision, in full compliance with the provisions under the Basic Standard for Corporate Internal Control ("企業內部控制基本規範") and the Implementation Guidelines for Corporate Internal Control ("企業內部控制配套指引") released by 5 departments including the Ministry of Finance and the CSRC. These measures aim at "ensuring the Company's compliance with laws and regulations in terms of operation and management, asset security, the timeliness, truthfulness, accuracy and completeness of financial statement and relevant information, improvement of efficiency and effectiveness of operation, and facilitation of the execution of development strategies by the Company.

(1) To promote control in all personnel and the whole process of business, to integrate and standardize corporate goals, employee benefits, social responsibility and corporate culture and create a favorable environment for implementation of internal control based on self-awareness;

(2) To work towards comprehensive risk management, accurately distinguish important business procedures and key points of control, so as to ensure that the focus of setting up the internal control of the Company is in line with objectives set at different stage of its development;

(3) To establish and improve the internal control system, in order to institutionalize, streamline and standardize the risk control measures, to effectively prevent risk by strictly implementing the internal control system;

(4) To promote the use of information technology for internal control, and by means of information technology, solidify the standardization and implementation process of internal control to prevent fraudulent practices;

(5) To standardize the process, methods and strategies of inspection and evaluation of internal control, to strengthen the inspection and supervision, to encourage the Company to implement the internal control system and to formulate a scientific and effective self-evaluation system.

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

Proposals in respect of the establishment of a sound internal control as stated in the proposal of the implementation of internal control for year 2011 of the Company are as follows:

(1) to formulate a checklist for risks;

(2) to classify and improve the internal system according to the risk checklist;

(3) to conduct internal control inspection, carry out rectifications and improvements to address the deficiency of internal control design discovered during the inspection.

The Company strictly implemented the above plans and completed the preparation of the risk checklist, internal control inspection and improvement of the internal control system for both headquarters and subsidiaries of the Company. On basis of the existing internal control system, the headquarters had formulated or amended internal control system such as: Rules on Management of Transfer of Property Rights ("產權轉讓管理辦法"), the Management System of Software System Development (Provisional) ("軟件系統開發管理制度"(試行)), Construction Contract Management Rules ("建造合同管理辦法"), Management Rules of Asset Impairment ("資產減值管理辦法"), Management Measures of Connected Transactions ("關聯(連)交易管理實施細則") and Management System for Insider Information ("內幕信息管理制度"). On subsidiary level, each of the subsidiaries has preliminary formulated and implemented measures for implementation of internal control of the Company.

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

The audit department of the Company is the inspection and assessment department of internal control of the Company, responsible for conducting testing, inspection, supervision and evaluation of internal control, as well as preparation of the Company's self-assessment report of internal control.

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

In 2011, the Company conducted internal supervision work on economic responsibility audit, specialized project audit, comprehensive risk management and internal control inspection and assessment. Pursuant to relevant requirements under the Basic Standard for Enterprise Internal Control ("企業內部控制基本規範") and the Implementation Guidelines for Enterprise Internal Control ("企業內部控制配套指引"), the Company formulated the Implementation Plan for the Regulation of Internal Control for 2011 ("2011年度內部控制規範工作實施方案") and conducted internal control inspection work with emphasis on inspection, assessment and rectification. Following the inspection, the Company prepared, concluded and drafted the Work Report of Internal Control Inspection for 2011 ("2011年度內部控制檢查工作報告"), and then reported to the President's office and the Board for this purpose. Meanwhile, to address the deficiencies identified during the internal control inspection for its subsidiaries, the Company issued respective rectification opinions to such subsidiaries and required them to complete the rectification within a limited period. In order to inspect the results of such rectification work on internal control, the Company established an inspection team for internal control rectification to conduct re-visits and inspections on internal control rectification work of all the subsidiaries. As to subsidiaries with several outstanding problems, the Company regarded them as the major targets, conducted inspection in accordance with the rectification opinions on a one-to-one basis, managed to materialize such opinions and replied to the enquiries raised by the companies under inspection, thus ensuring the problems identified being resolved in a timely manner. Furthermore, the Company, based on the identification standards of flaws in internal control and the consideration of the actual conditions of the internal control inspection and assessment work in 2011, conducted a comprehensive assessment on the establishment and implementation of the internal control systems, prepared the Company's self-assessment report of internal control for 2011 and submitted such report to the Board for consideration. By conducting the internal control inspection and assessment work, the Company proposed opinions on the rectification for identified problems and carried out supervision and inspection on the rectification results, which cemented the efficient implementation of the internal control systems of the Company.

5. *Work arrangement for internal control by the Board*

The Board has always been aiming at establishing a sound and effective internal control system as part of its effort in internal control. The Risk Management Committee and the Finance and Audit Committee have been established under the Board to be responsible for matters relating to internal control. Among which, the Risk Management Committee is mainly responsible for risk control and the establishment of internal control system, risk control of significant internal control issues, participation in the discussion of the results of internal control audit as well as control and management over specific risks. The Finance and Audit Committee is responsible for the coordination of internal control audit.

During the Reporting Period, in order to further improve the establishment and evaluation of the internal control system, the 2011 Work Proposal of Standardization and Implementation of Internal Control of MCC ("中國中冶2011年度內控規範實施工作方案") was considered and approved by the Risk Management Committee of the Board of the Company. The proposal was further approved by the Board, which helped lay down objectives and directions for the Company to commence the formulation of internal control in 2011. The Finance and Audit Committee of the Board had studied relevant issues regarding the appointment of internal control auditors in 2011. Upon the approval of the Board and the general meeting, PricewaterhouseCoopers Zhong Tian CPAs Limited Company was appointed as the internal control auditor of the Company for year 2011. In the process of establishing internal control and evaluation, the Finance and Audit Committee listened to reports on issues relating to interim test of internal control and arrangement for annual internal control audit by the auditors in many occasions, and took timely action against the relevant subsidiaries for the matters found in the process of interim test of internal control and proposed specific requirements to improve the overall internal control throughout the Company. The Board had also specifically listened to special reports made by the internal control inspection unit of the Company. For the matters found through the inspection, the unit requested the management to formulate countermeasures in terms of management, to divide duties at all levels reasonably and rectify the problems effectively.

The Board of the Company evaluated the internal control of 2011, each of the Directors completed the manuscript of relevant tasks in accordance with the regulatory requirements and strictly fulfilled their responsibilities as a Director.

6. *Construction and Implementation of internal control system relating to financial report*

The Company established a relatively complete set of financial management system in respect of financial reports, budget management, capital management as well as management over financial personnel, information technology, assets, cost and fiscal and tax management.

The Company had established internal control system in relation to the financial report, including Accounting System for Enterprises ("企業會計制度"), Management Rules of Scope of Consolidation Check List ("合併範圍清單管理辦法"), Management Rules of Evaluation of Supplementary Accounting Information, Change of Business and Significant Accounting Issues ("會計信息補充、業務變更和重大會計事項評估管理辦法"), Management Rules of Formulation of Financial Report ("財務報告編制進度管理辦法"), Management Rules of Declaration and Disclosure of Financial Report ("財務報告申報及披露管理辦法"), Management Rules for Closure of Account Sets of Financial Statements ("財務報表賬套關閉管理辦法"), Management Rules for Internal Transactions and Account Reconciliation ("內部往來及交易對賬管理辦法"), Management Rules for Auditing and Analyzing of Financial Statements ("財務報告審核與分析管理辦法"), Construction Contract Management Rules ("建造合同管理辦法"), Management Rules of Impairment of assets ("資產減值管理辦法"), Fixed Assets Management Rules ("固定資產管理辦法"), Management Rules of Information Disclosure ("信息披露管理辦法"), Management Rules of Financial Information Technology ("財務信息化管理辦法"), covered the aspects of primary control of the significant business process, such as: quality control of the data input of financial statement system, preparation of financial statement and disclosure.

The aforesaid internal control systems has fully implemented in the Company. By analyzing the quality of financial reports in recent years and according to the conclusion upon the inspection, evaluation and audit of internal control, relevant internal control system of the Company's financial report achieved the goal of internal control.

7. *Deficiencies of internal control and rectification*

During the Reporting Period, pursuant to the code provision C.2.1 of the Code on Corporate Governance Practices, the Directors have conducted a review on the effectiveness of the internal control system of the Company, which covers financial control, operation control, compliance control and the risk management capability.

According to the findings of the internal inspection on the Company and with reference to the improvements made by various subsidiaries on the deficiencies of internal control as well as the sampling results of certain subsidiaries of the Company in respect thereof, it is found that there were still room for further improvement and perfection regarding their organizational structure, management on authorization system, operation management, financial management, procurement and sales management, capital management, asset impairment management, construction in progress management and provision allowance. There was no material weakness in the internal control of the financial report as at 31 December 2011.

To cope with the internal control problems of subsidiaries, the Company has issued rectification guidelines for subsidiaries to take immediate and effective remedial actions. As to system deficiencies, all subsidiaries were able to timely adjust, supplement and optimize relevant policies as per the rectifications opinions given. There was still need for some subsidiaries to further rectify the problems and to take remedial actions with regards to system flaws. Meanwhile, the Company will place strong emphasis on inspection and supervision on subsisting shortfalls of internal control which are still subject to rectification in the future agenda of internal management, with strengthened effort for continuous improvement and optimization, whereby achieving complete rectification.

8. *Whether any material defect has been detected in the internal control of the financial report for the year*

There was no material weakness detected in the internal control of the financial report during the year.

VII. 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 2011, 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 134 to 135 of this annual report.

VIII. 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 2011, 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.

IX. 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 SSE and 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. through various ways including organizing training sessions for secretaries of the Board of its subsidiaries, 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 to the board of its subsidiaries. Meanwhile, it specified the supervision requirements, ascertained the responsibility of information disclosure and facilitated collection, collating, review and disclosure of information in an orderly manner;

2. according to relevant requirements of CSRC and with reference to the practical need of the Company, the Management System for Insider Information of MCC (《中國中冶內幕信息管理制度》) was amended to prevent insider trading by strictly abiding to the insider registration system, further strengthening the filing work of outsider information users and implementing insider information security obligations;

3. the Company has further explored and promoted effective and voluntary information disclosure. In a bid to enhancing transparency of the Company in respect of its daily operation, regular disclosure of newly signed contracts has been made each month since October 2011. In addition, in strict compliance with relevant regulations, the Company has closely followed up the disclosed matters and summarized related information into the periodic reports. As for important issues that concern the market, the Company has made voluntary disclosure to the market by means of announcements, which built a sound image of the Company.

X. INVESTOR RELATIONS

In 2011, notwithstanding the conditions at home and aboard, the Company prevailed against all odds through further refining the management system on investor relations, expanding communication channels in the capital market, strengthening feedback mechanism as to capital market information as well as striving to create a public image of a responsible listed company.

1. Further improved the management system on investor relations.

Since this year, the Company has integrated long-term development plans whilst refining sub-plans of investor relations development, which will serve as the general guiding principle of the Company's investor relations efforts in the new era. In addition, it proposed to establish the Management System on Shareholdings of Directors, Supervisors and Senior Management in the Company and the Changes Thereof (《董事、監事、高級管理人員所持公司股份及其變動管理制度》), which helped lay down an institutional foundation for the acquisition of shares of the Company in the secondary market by Directors, Supervisors and senior management, and optimized daily communication and exchanges in the capital market in accordance with the Detailed Implementation Plan for the Management of Reception and Promotion in the Capital Market (《資本市場接待與推廣管理具體實施方案》).

2. Further expanded communication channels in the capital market.

During the year, the Company did not only maintain daily communication with the capital market by fully capitalizing on channels including the 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), but also conducting in-depth exchanges, immediately after the release of results announcement, with 264 investors and analysts as well as 78 media by visiting places such as Beijing, Shanghai, Hong Kong and Singapore. Taking advantage of the 2010 AGM held on 17 June 2011, the Company had a deep conversation with 37 domestic and overseas investors. In late October 2011, 27 domestic and overseas institutions and 42 researchers were invited by the Company to conduct research on 14 projects of 7 subsidiaries of the Company with a focus on businesses upon restructuring, including commodity houses, affordable housing and polysilicon, which effectively deepened the investors' understanding of the Company.

3. Further strengthened the feedback mechanism as to the information of the capital market.

During the year, the Company has been committed to collecting financial information worldwide as well as information regarding the four major segments in which the Company engages on a daily basis. These information then served as references for senior management of the Company upon summarizing and collating into the "Capital News" (資本快訊) and "Everyday Securities Information For Reference" (每日證券信息參考). Meanwhile, it kept good care of the Company's register of members and paid close attention to issues that concern investor, relevant suggestions, analyst's research reports, studies and feedbacks reported by financial media, which effectively bridged the gap between the Company and the capital market.

In 2011, the Company was granted the Best Wealth Creation (IR) Award (最佳創富 (投資者關係)獎) in 2011 by the China Center for Market Value Management and the 2011 Improvement Award of Investor Relations in China (中國區投資者關係進步公司大獎) granted by the most prestigious IR evaluating institution worldwide, the IR Global Rankings. Looking into 2012, bearing practicality and accountability in mind, the Company will strive to scale new heights in the area of investor relations management. To this end, it commits itself to better liaison with the capital market.

Significant Events

I. MATERIAL LITIGATION AND ARBITRATION

It was disclosed in the "Explanation on the Dispute in Respect of the Cape Lambert Iron Ore Project in Western Australia" (《關於西澳大利亞蘭伯特角鐵礦項目糾紛的説明》issued by the Company on 11 September 2010 the disputes in relation to the final tranche of AUD$80.00 million for the mining tenements of Cape Lambert Iron Ore between the MCC Australia Sanjin Mining Pty Ltd ("MCC Sanjin"), a subsidiary of the Company and Cape Lambert Resources Limited and Mt Anketell Pty Ltd ("CFE"). MCC Sanjin is of the view that CFE has not fulfilled the obligations stipulated in the relevant terms under the "Tenement and Related Asset Sale Agreement". On 29 September 2010, the Company and MCC Sanjin submitted its objection to the jurisdiction to the Supreme Court of Western Australia, Australia. As at the end of Reporting Period, no verdict was given by the Supreme Court in respect of the objection to the jurisdiction.

Save as the litigation mentioned above, 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 Reporting Period, 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. Equity interests in other listed companies held by the Company

Unit:RMB'000

Stock Code	Abbreviation	Initial Investment cost	Percentage of the company's total equity (%)	Carrying value at the end of the period	Account category	Source of shares
601328	Bank of Communications	92,839	1.04	198,797	Available-for-sale financial assets	Partly are initial shares and partly are purchased from the secondary market
000939	KaiDi Electric	2,562	0.01	111,160	Available-for-sale financial assets	Initial shares
600729	Chongqing Department Store	450	0.01	14,769	Available-for-sale financial assets	Initial shares
600643	AJ Corp	2,166	2.01	10,551	Available-for-sale financial assets	Initial shares
600117	Xining Special Steel	1,400	0.19	9,590	Available-for-sale financial assets	Initial shares
601318	Ping An of China	276	0.01	6,578	Available-for-sale financial assets	Initial shares
000709	Hebei Steel	4,600	0.03	5,425	Available-for-sale financial assets	Initial shares

Stock Code	Abbreviation	Initial Investment cost	Percentage of the company's total equity (%)	Carrying value at the end of the period	Account category	Source of shares
600322	Tianjin Reality Development	1,600	0.09	3,210	Available-for-sale financial assets	Initial shares
600282	Nanjing Iron & Steel Corp	530	0.03	3,114	Available-for-sale financial assets	Initial shares
000709	Tang Steel Corp	1,200	0.77	2,694	Available-for-sale financial assets	Initial shares
000005	Fountain	420	0.41	1,440	Available-for-sale financial assets	Initial shares
600665	Tande	1,179	0.24	562	Available-for-sale financial assets	Initial shares
600618	Chlor-alkali Chemical	216	0.19	289	Available-for-sale financial assets	Initial shares
	Total	109,438	—	368,179	—	—

2. Equity interests in non-listed financial companies held by the Company

Name of investee	Initial investment cost *(yuan)*	Shareholding percentage of the investee *(%)*	Carrying value at the end of the period *(yuan)*	Account category	Source of shares
Wuhan Hankou Bank Company Limited (武漢市漢口銀行股份有限公司)	27,696,000	1.34	27,696,000	Long-term equity investment	By acquisition
Jinzhou Commercial Bank Co., Ltd. (錦州市商業銀行股份有限公司)	31,000,000	5.00	31,000,000	Long-term equity investment	By acquisition
Huludao Bank Co., Ltd. (葫蘆島銀行股份有限公司)	15,000,000	2.09	44,053,726	Long-term equity investment	By acquisition
Baosteel Group Finance Co., Ltd. (寶鋼集團財務有限責任公司)	10,497,680	2.20	10,497,680	Long-term equity investment	By acquisition
Changcheng Life Insurance Co., Ltd (長城人壽保險股份公司)	30,000,000	1.92	30,000,000	Long-term equity investment	By acquisition
Wusteel Group Financial Company (武鋼集團財務公司)	2,000,000	0.20	2,000,000	Long-term equity investment	By acquisition
Pansteel Group Financial Company (攀鋼集團財務有限公司)	4,416,900	0.26	4,416,900	Long-term equity investment	By acquisition
Nanjing Bank of Communications (南京交通銀行)	563,096	1.00	563,096	Long-term equity investment	By acquisition
Shenyin & Wanguo Securities Co. Ltd. (申銀萬國證券股份有限公司)	2,000,000	0.02	2,000,000	Long-term equity investment	By acquisition
Total	123,173,676	—	152,227,402	—	—

3. Dealing in shares of other listed companies

Stock Name	Number of shares at the beginning of the period *(share)*	Number of shares purchased during the Reporting Period *(share)*	Capital Division *(yuan)*	Number of shares sold during the Reporting Period *(share)*	Number of shares at the end of the period *(share)*	Investment gain *(yuan)*
Nanjing Iron & Steel Corp	3,240,000	—	—	2,120,000	1,120,000	6,467,547
Haima Investment	97,843	—	—	97,843	—	96,561
Fushun Special Steel	380,630	—	—	380,630	—	-1,452,107
Chlor-alkali Chemical	84,710	—	—	50,820	33,890	423,924
KaiDi Electric	6,799,264	—	—	245,000	10,486,822	4,785,978
Bank of Communications	39,629,362	523,300	2,942,204	523,365	39,681,627	1,792,246
Panggang Steel & Vanadium	38,700,000	—	—	38,700,000	—	187,056,986

IV. TRANSACTIONS OF ASSETS

(I) Acquisition of Assets

Unit: RMB 0'000

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 it is a connected transaction (with explanation on the pricing principles (if yes))	Pricing principles for the assets acquisition	Whether all the property rights of concerning assets are transferred to the related party	Whether all the claims and liabilities of concerning assets are transferred to the related party
Beijing New ASEC Automation Technology Co., Ltd. (北京新阿塞克自動化技術有限公司)	0.83% equity of ACRE	2011/6/13	1,005.34	—	—	No	determined on the basis of evaluation	Yes	N/A
Highsee Iron and Steel Group Co., Ltd. (海鑫鋼鐵集團有限公司)	9.23% equity of Shanghai Baoye Group Corp., Ltd.	2011/7/1	22,500	—	—	No	determined on the basis of evaluation	Yes	N/A

(II) 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

(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
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	No	–
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	No	–
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	–
CCTEC Engineering Co., Ltd.	Controlled subsidiary	Yichang Heavy-duty Engineering Machinery Co. Ltd. of China	11,100	7 March 2011	7 March 2011	28 August 2012	Under joint and several liabilities	No	No	–	No	No	–

Total amount of guarantee occurred during the Reporting Period (excluding guarantee to subsidiaries)	11,100
Total amount of outstanding guarantee as at the end of the Reporting Period (A) (excluding guarantee to controlled subsidiaries)	275,441
Guarantee provided by the Company to its controlled subsidiaries	
Total amount of guarantee occurred by the Company to its subsidiaries during the Reporting Period	6,219,860
Balance of guarantee provided by the Company to its subsidiaries at the end of the Reporting Period (B)	17,579,053
Total guarantee provided by the Company (including guarantee to controlled subsidiaries)	
Total amount of guarantee (A+B)	17,854,494
Total amount of guarantee as a percentage of the Company's net assets (%)	30.69
Including:	
Amount of guarantee provided to shareholders, the de facto controller and its related parties (C)	0
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70% (D)	13,177,970
The excess of total amount of guarantee over 50% of the net assets (E)	0
Total amount of above 3 guarantees (C+D+E)	13,177,970

3. Entrusted Asset Management

Unit: RMB 0'000

No.	Name of the principal	Name of the trustee	Value of entrusted assets	Commencement date of entrusted asset management	Termination date of entrusted asset management	Method of remuneration	Actual principal amount recovered	Actual revenue earned	Whether it is subject to legal procedures	Amount provided for impairment	Whether it is a connected transaction	Whether it is financed by the proceeds raised	Connected Relations	Note
1	China Enfi Engineering Corporation	Jin'an Branch of Construction Bank	20,000	2011/8/3	2011/9/5	Guaranteed Floating	20,000	92	Yes	0	No	No	None	*Note 1*
2	MCC Finance Corporation Ltd.	China CITIC Bank	25,000	2009/7/7	2011/7/7	Fixed return	25,000	2,169	N/A	0	No	No	None	
3	MCC Finance Corporation Ltd.	Construction Bank	5,000	2011/4/28	2011/7/27	Fixed return	5,000	40	N/A	0	No	No	None	
4	MCC Finance Corporation Ltd.	Construction Bank	20,000	2011/11/10	Without a fixed term	Fixed return	15,000 *(Note 2)*	59	N/A	0	No	No	None	
	Total		70,000	/	/	/	65,000		/		/	/	/	

Note 1: The asset management product provided by the China Enfi Engineering Corporation ("MCC Enfi"), a subsidiary of the Company. Such product requires to be purchased by MCC Enfi under contract in respect of the grant of corporate loans (公司貸款下放合同) entered into with the Construction Bank in respect of the Wuxi Xidong Project.

Note 2: RMB150 million of such asset management product was repurchased by MCC Finance Corporation Ltd., a subsidiary of the Company, and the remaining RMB50 million of such asset management product is still held by the trustee.

4. Entrusted Loans

Unit: RMB 0'000

No.	Name of the lender (the lending party)	Name of borrower	Relationship of borrower with the listed company	Amount of entrusted loan	Commencement date of loan	Annual interest rate (%)	Whether it is a related party transaction	Is it overdue	Whether the payment is extended	Is it involved in litigation	Whether it is financed by the proceeds raised	Expected gain within the term of the loan	Investment gain/loss during the Reporting Period	Explanation on note
1	Metallurgical Corporation of China Ltd.*	MCC Construction Hi-Tech Technology Co., Ltd. (中冶建設高新技術有限公司)	Subsidiary	4,149.00	2009/3/24 to 2011/6/30	6.78	No	No	No	No	No	647.00	140.65	
2	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	4,817.00	2009/6/19 to 2010/5/26	5.31	No	Yes	Yes	No	No	590.43	191.84	
3	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	5,829.00	2009/7/3 to 2010/5/26	5.31	No	Yes	Yes	No	No	702.44	232.14	
4	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	5,803.00	2009/8/28 to 2010/5/26	5.31	No	Yes	Yes	No	No	651.37	231.10	No.2 - No.8 have been Repaid on 28 September 2011. For detailed explanation on payment extension, please see note 1.
5	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	4,135.55	2009/3/25 to 2010/6/25	6.34	No	Yes	Yes	No	No	667.87	196.65	
6	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	20,000.00	2009/3/25 to 2010/7/25	6.34	No	Yes	Yes	No	No	3,229.88	951.00	
7	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	20,000.00	2009/3/25 to 2010/8/25	6.34	No	Yes	Yes	No	No	3,229.88	951.00	
8	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	14,314.00	2009/3/25 to 2010/9/25	6.34	No	Yes	Yes	No	No	2,311.62	680.63	
9	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	7,551.00	2009/5/27 to 2010/5/26	5.31	No	Yes	Yes	No	No	1,357.69	405.41	Payment in No.9 - No.12 have been extended to 27 September 2012. For detailed explanation on payment extension, please see note 1.
10	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	5,734.00	2009/5/27 to 2010/5/26	5.31	No	Yes	Yes	No	No	1,030.99	307.86	
11	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	94,000.00	2009/6/30 to 2010/6/29	5.602	No	Yes	Yes	No	No	17,830.85	5,324.39	
12	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	20,000.00	2009/10/26 to 2010/10/25	5.31	No	Yes	Yes	No	No	3,596.05	1,073.80	

No.	Name of the lender (the lending party)	Name of borrower	Relationship of borrower with the listed company	Amount of entrusted loan	Commencement date of loan	Annual interest rate (%)	Whether it is a related party transaction	Is it overdue	Whether the payment is extended	Is it involved in litigation	Whether it is financed by the proceeds raised	Expected gain within the term of the loan	Investment gain/loss during the Reporting Period	Explanation on note
13	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	10,000.00	2009/11/20 to 2010/11/19	5.31	No	Yes	Yes	No	No	1,798.03	536.90	No.13 - No.14 have beem repaid on 22 December 2011. For detailed explanation on payment extension, please see note 1.
14	Metallurgical Corporation of China Ltd.*	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary	63,000.00	2009/11/24 to 2010/11/23	5.31	No	Yes	Yes	No	No	11,327.56	3,382.47	
15	Metallurgical Corporation of China Ltd.*	MCC-JJJ Mining Development Company Limited	Subsidiary	162,500.00	2009/11/18 to 2017/11/17	5.94	No	No	No	No	Yes	78,319.31	9,759.75	Note 2
16	MCC Capital Engineering & Research Incorporation Limited	MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associates	8,287.50	2010/6/7 to 2011/6/6	5.31	No	No	No	No	No	440.07	231.03	
17	MCC Capital Engineering & Research Incorporation Limited	MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associates	8,287.50	2011/6/28 to 2012/6/28	6.31	No	No	No	No	No	522.94	386.23	
18	China MCC 20 Group Co., Ltd.	Dalian Haoyi Real Estate Development Co., Ltd. (大連豪億房地產開發有限公司)	–	2,000.00	2007/6/14 to 2007/10/15	0.05% per day	No	Yes	No	Yes (the verdict is in favor of the Company, which is under implementation)	No	–	–	Note 3
19	China MCC 20 Group Co., Ltd.	Shanghai Star Construction Co., Ltd. (上海星辰建設工程有限公司)	–	2,000.00	2011/3/16 to 2011/11/30	20	No	No	No	No	No	287.78	287.78	
20	China MCC 20 Group Co., Ltd.	Shanghai Star Construction Co., Ltd. (上海星辰建設工程有限公司)	–	12,420.00	2011/3/16 to 2011/11/30	10	No	No	No	No	No	893.55	893.55	
21	China MCC 20 Group Co., Ltd.	Shanghai Star Construction Co., Ltd. (上海星辰建設工程有限公司)	–	1,600.00	2011/3/16 to 2011/10/10	15	No	No	No	No	No	138.67	138.67	
22	MCC Baosteel Technology Services Co., Ltd.	Shanghai Baoye Qicheng Gas Co., Ltd.	Former subsidiary	200.00	2006/11/30 to 2009/11/27	7.326	No	–	–	No	No	–	–	Note 4 No.22 - No. 27
23	MCC Baosteel Technology Services Co., Ltd.	Shanghai Baoye Qicheng Gas Co., Ltd.	Former subsidiary	300.00	2007/1/16 to 2010/1/13	6.93	No	–	–	No	No	–	–	
24	MCC Baosteel Technology Services Co., Ltd.	Shanghai Baoye Qicheng Gas Co., Ltd.	Former subsidiary	300.00	2007/2/15 to 2010/2/14	6.93	No	–	–	No	No	–	–	
25	MCC Baosteel Technology Services Co., Ltd.	Shanghai Baoye Qicheng Gas Co., Ltd.	Former subsidiary	300.00	2007/3/15 to 2010/3/14	6.93	No	–	–	No	No	–	–	
26	MCC Baosteel Technology Services Co., Ltd.	Shanghai Baoye Qicheng Gas Co., Ltd.	Former subsidiary	250.00	2007/4/15 to 2010/4/14	6.93	No	–	–	No	No	–	–	

No.	Name of the lender (the lending party)	Name of borrower	Relationship of borrower with the listed company	Amount of entrusted loan	Commencement date of loan	Annual interest rate (%)	Whether it is a related party transaction	Is it overdue	Whether the payment is extended	Is it involved in litigation	Whether it is financed by the proceeds raised	Expected gain within the term of the loan	Investment gain/loss during the Reporting Period	Explanation on note
27	MCC Baosteel Technology Services Co., Ltd.	Shanghai Baoye Qicheng Gas Co., Ltd.	Former subsidiary	200.00	2007/4/30 to 2010/4/28	6.93	No	–	–	No	No	–	–	
28	Shanghai Baorong International Container Co., Ltd.(上海寶榮國際集裝箱有限公司)	Shanghai Baoye Qicheng Gas Co., Ltd.	Former subsidiary	250.00	2008/1/7 to 2010/1/5	5.841	No	–	–	No	No	–	–	Notes 5
29	Shanghai Baoye Group Corp., Ltd.	Changshu Zhongye Baorun Real Estate Co., Ltd.	Subsidiary	20,000.00	2010/11/3 to 2011/11/3	6	No	No	No	No	No	1,193.00	1,193.00	
30	Shanghai Baoye Group Corp., Ltd.	Changshu Zhongye Baorun Real Estate Co., Ltd.	Subsidiary	5,000.00	2010/11/19 to 2011/11/19	6	No	No	No	No	No	298.00	298.00	
31	Shanghai Baoye Engineering Technology Co., Ltd. (上海寶冶工程技術有限公司)	Shanghai MCC Xinyuepu Real Estate Co., Ltd. (上海中冶新月浦置業有限公司)	Subsidiary	5,000.00	2011/1/24 to 2014/1/23	6.435	No	No	No	No	No	979.00	260.00	Repaid in advance on 11 November 2011
32	MCC Baosteel Technology Services Co., Ltd.	Shanghai Baojiuhe Refractory Co., Ltd.	Subsidiary	500.00	2010/10/3 to 2011/5/3	5.346	No	No	No	No	No	10.36	10.36	
33	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施 投資建設有限公司)	Subsidiary	1,500.00	2011/1/5 to 2014/1/31	6.22	No	No	No	No	No	283.04	96.44	
34	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施投資建設有限公司)	Subsidiary	1,500.00	2011/5/10 to 2014/1/31	6.65	No	No	No	No	No	273.30	73.80	
35	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施投資建設有限公司)	Subsidiary	1,200.00	2011/6/15 to 2014/1/31	6.65	No	No	No	No	No	181.22	21.62	
36	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施投資建設有限公司)	Subsidiary	1,500.00	2011/8/16 to 2014/1/31	6.65	No	No	No	No	No	225.51	26.01	
37	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施投資建設有限公司)	Subsidiary	1,000.00	2011/10/25 to 2014/1/31	6.65	No	No	No	No	No	153.93	20.93	
38	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施投資建設有限公司)	Subsidiary	800.00	2011/10/24 to 2014/1/31	6.65	No	No	No	No	No	119.51	13.11	

No.	Name of the lender (the lending party)	Name of borrower	Relationship of borrower with the listed company	Amount of entrusted loan	Commencement date of loan	Annual interest rate (%)	Whether it is a related party transaction	Is it overdue	Whether the payment is extended	Is it involved in litigation	Whether it is financed by the proceeds raised	Expected gain within the term of the loan	Investment gain/loss during the Reporting Period	Explanation on note
39	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施投資建設有限公司)	Subsidiary	200.00	2011/11/21 to 2014/1/31	6.65	No	No	No	No	No	31.20	4.60	
40	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施投資建設有限公司)	Subsidiary	800.00	2011/11/3 to 2014/1/31	6.65	No	No	No	No	No	113.76	7.36	
41	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (濰坊中冶基礎設施投資建設有限公司)	Subsidiary	550.00	2011/12/26 to 2014/1/31	6.65	No	No	No	No	No	73.15		Loans granted after 21 December, interest of which had not been settled.
42	Shanghai Baorong International Container Co., Ltd. (上海寶榮國際集裝箱有限公司)	Shanghai Baoxuan Metallic Products Co., Ltd. (上海寶煊金屬製品有限公司)	Subsidiary	500.00	2010/4/3 to 2011/4/29	5.31	No	No	No	No	No	9.51	9.51	
43	Shanghai Baorong International Container Co., Ltd. (上海寶榮國際集裝箱有限公司)	Shanghai Baoxuan Metallic Products Co., Ltd. (上海寶煊金屬製品有限公司)	Subsidiary	500.00	2011/5/16 to 2012/5/5	6.31	No	No	No	No	No	20.07	20.07	
44	Shanghai Baorong International Container Co., Ltd. (上海寶榮國際集裝箱有限公司)	Shanghai Wu Gang Engineering and Management Co., Ltd.	Subsidiary	3,000.00	2010/12/27 to 2011/6/27	5.454	No	No	No	No	No	73.03	73.03	
45	Shanghai Baorong International Container Co., Ltd. (上海寶榮國際集裝箱有限公司)	Shanghai Wu Gang Engineering and Management Co., Ltd.	Subsidiary	3,000.00	2011/7/13 to 2012/7/12	5.904	No	No	No	No	No	79.21	79.21	

Note 1: MCC Huludao Nonferrous Metals Group Co., Ltd. (the "Huludao Nonferrous") is a non-wholly owned subsidiary of the Company. After the entrusted loans provided in favor of Huludao Nonferrous were overdue, the Company has demanded repayment by issuing a demand letter for several times, whilst requesting it to increase effective assets for collateral, so as to ensure assets security of the entrusted loans. The Company has reviewed the application for payment extension of the entrusted loan submitted by Huludao Nonferrous. After taking various relevant factors it proposed into consideration, the Company agreed to proceed with such extension. As at the end of the Reporting Period, out of 13 entrusted loans with an aggregate amount of RMB2,752 million provided by the Company in favor of Huludao Nonferrous Group, 9 of them with an aggregate amount of RMB1,479 million have been repaid, and the remaining 4 of them with an aggregate of RMB1,273 million have been extended to 27 September 2012.

Note 2: As disclosed in the A share Prospectus, proceeds raised through the A Share Offering were earmarked for the Ramu nickel laterite mine project by way of entrusted loans.

Note 3: Since the borrower, Dalian Haoyi Real Estate Development Co., Ltd. (大連豪億房地產開發有限公司)("Dalian Haoyi") failed to repay the due loans as scheduled, the lender, China MCC 20 Group Co., Ltd., lodged a litigation and the verdict went in its favor. According to the verdict made by Shanghai No.2 Intermediate People's Court,, the responsibility to settle the unpaid principal and interest amount shall be undertaken by Shenzhen Development Bank, Dalian Xi Gang Branch. During the Reporting Period, RMB1.50 million has been repaid to MCC 20 Group upon the execution of the court. The frozen assets of Dalian Haoyi(大連豪億) with an asset value of RMB33 million are subject to the implementation of approval procedures as required by the court. At present, assets appraisal has been complete with the value of relevant assets amounting to approximately RMB33.00 million, while the approval procedures on audition are in process.

Note 4: The borrower was a former subsidiary of the lender. In December 2011, the equity interests as well as the aforesaid creditor's rights of the borrower held by the lender were transferred to an external party through the Shanghai United Assets And Equity Exchange. Upon the completion of the transfer, RMB6,532,800 of the related 6 entrusted loans was recovered during the Reporting Period and the losses accumulated to RMB8,967,200.

Note 5: The borrower and the lender were both the former subsidiaries of MCC Baosteel Technology Services Co., Ltd.. In December 2011, upon the transfer of the equity interests of the borrower held by MCC Baosteel Technology Services Co., Ltd. to an external party through the Shanghai United Assets And Equity Exchange, the borrower and the lender entered into a debt restructuring agreement. RMB367,000 was recovered from debt restructuring during the Reporting Period and the losses accumulated to RMB2,133,000.

5. Other Material Contracts

(1) Material contracts of domestic projects

Number	Date of contract	Name of project	Contractual amounts *(RMB in million)*	Parties	Term *(Month)*
1	2011/1/6	General contracting for steel making construction in Nanjiang base of Bagang (八鋼南疆基地煉鋼工程總承包合同)	1,028	CISDI Engineering Co., Ltd. (中冶賽迪工程技術股份有限公司)	19
2	2011/3/8	Iron and steel making construction of Langfangshi Guangyuan Metal Products (Shengbao) Co., Ltd. (廊坊市洸遠金屬製品有限公司(勝寶))	1,560	China MCC 20 Group Co., Ltd.	12
3	2011/3/15	Construction of ancillary services centre for iron and steel and power industry at industry zone of Caofeidian (曹妃甸工業區鋼鐵電力產業配套服務中心工程)	1,550	China 22 MCC Group Co., Ltd.	24
4	2011/3/15	Construction of prestigious international plaza in Xiqiao, Nanhai of Zhuhua Co., Ltd. (珠華有限公司南海西樵盛名國際廣場工程)	1,200	China 22 MCC Group Co., Ltd.	33
5	2011/3/29	Dongfang yongye city plaza of Songshan,Chifeng (赤峰松山東方永業城市廣場)	1,000	China Second Metallurgy Group Corporation Limited (中國二冶集團有限公司)	24
6	2011/4/16	Blast furnace project (2x2,300 m³) of Rizhao Steel Holding Group Co., Ltd. (日照鋼鐵控股集團有限公司2x2,300m³高爐項目)	1,800	MCC Capital Engineering & Research Incorporation Limited	11
7	2011/4/18	Integrated social welfare project Of Toutunhe Farm Regiment under Division 12 of Xinjiang Production and Construction Corps (新疆生產建設兵團十二師頭屯河農場連隊整合保障性住房建設項目)	1,500	China Second Metallurgy Group Corporation Limited (中國二冶集團有限公司)	18
8	2011/4/28	Convention, exhibition and business centre of Zhongshan City (中山市會展商務中心)	1,000	Shanghai Baoye Group Corp., Ltd.	36

Number	Date of contract	Name of project	Contractual amounts (RMB in million)	Parties	Term (Month)
9	2011/5/1	Settlement residence project in Huashan District (Phase II) of Ma'anshan (馬鞍山花山區安置房二期項目)	2,500	China MCC 17 Group Co., Ltd.	16
10	2011/5/25	Section III & IV of the relocation project of rehabilitation and economical housing of Zhanzhuangqi Village in Dongli District, Tianjin (天津東麗區詹莊七村還遷安置經適房三、四標段)	1,090	China Metallurgical Construction (Group) Co., Ltd. (中冶建工集團有限公司)	15
11	2011/6/8	General contracting for copper mines mining operation of Bainaimiao, Inner Mongolia (內蒙古白乃廟銅礦采礦工程 總承包合同)	1,084	China Enfi Engineering Co., Ltd.	36
12	2011/6/15	General contracting for equipment upgrade and renovation of energy saving technology system in respect of special steel, steel making and steel rolling in Xining (西寧特鋼煉鋼軋鋼系統節能環保工藝裝備升級改造總包工程)	1,575	Beris Group Corporation	36
13	2011/8/1	Supply and installation of equipment for Phase II of the project of energy saving, emission reduction as well as renovation by phasing out obsolete blast furnace (Beitai Plant Area) of Bxsteel Group Co., Ltd.	1,012	MCC Capital Engineering & Research Incorporation Limited	21
14	2011/8/11	Main contracting of the hotel project in the convention centre of Tianjin Development Zone (天津開發區會展酒店項目施工總承包工程)	1,001	China First Metallurgical Group Co., Ltd	22
15	2011/8/24	Bid of Pansteel's phase II No.3 and No. 4 coking furnace construction by consolidated use of titanomagnetite in Xichang (攀鋼西昌釩鈦資源綜合利用項目3、4#焦爐工程II標段)	1,522	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	20
16	2011/10/1	Blast furnace construction of Shougang Yili Steel Co., Ltd. (首鋼伊犁鋼鐵有限公司高爐工程)	1,016	WISDRI Engineering & Research Incorporation Limited	14
17	2011/11/10	Energy saving, emission reduction and technical renovation of the pre-iron making system of Nanjing Iron & Steel Co., Ltd. (南京鋼鐵股份有限公司鐵前系統節能減排技術改造)	1,072	WISDRI Engineering & Research Incorporation Limited	18

(2) *Material contracts of overseas projects*

Number	Date of contract	Name of project	Contractual amounts (RMB in million)	Parties	Term (Month)
1	2011/2/1	Project for petroleum engineering institution of Kuwait University (科威特大學城石油工程學院項目)	3,350	China MCC 17 Group Co., Ltd.	36
2	2011/8/20	TATA KPO coking construction (including Phase 1 & 2) in India	1,752	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	60
3	2011/12/30	Western Australia SINO iron ore project (supplementary agreement to the general contracting contract)	5,335	MCC Minera Sierra Grande S.A	Depends on the progress

VI. PERFORMANCE STATUS OF THE UNDERTAKINGS

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

1. Undertaking for share lock-up: within 36 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 MCC Hengtong Cold Rolling Technology Co., Ltd. ("MCC Hengtong"): within 24 months from the date of the initial public offering of the Company's domestic shares on the SSE, respectively, MCC Hengtong shall be disposed, upon completion of initial public offering by way of, inter alia, transfer of equity in MCC Hengtong.

   From the end of 2010, MCC Hengtong had fully ceased production and there have been competitions between MCC Hengtong and the Company. The Parent is purposefully carrying out the disposal of assets of MCC Hengtong. The losses caused by the disposal of assets will not affect the Company (for details, please refer to the Company's announcement issued on 21 September 2011).

3. Non-competition Undertakings

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

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 from stock exchanges.

VIII. EXPLANATION ON OTHER SIGNIFICANT EVENTS

1. As disclosed by the Company in the ORA dated 28 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. As at the end of the Reporting Period, land acquisition for the project and resettlement work have been basically completed by the responsible owner, while project surveying, design and the preliminary construction thereof were on schedule.

2. 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 20 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), which is a subsidiary of MCC Real Estate Group Co., Ltd., ("MCC Real Estate"), 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, the demolition and resettlement work of the project have proceeded as scheduled. The positioning of the project within the industry and its marketing strategies has already been finalized, while the design on the urban concept plan has also been through basic integration and optimization.

3. During the Reporting Period, there were substantial changes to the security situation in Libya. China First Metallurgical Group Co., Ltd ("First Metallurgical"), a subsidiary of the Company, undertakes two engineering and construction projects in Libya, namely the EPC project in respect of 5,000 units of residence and relevant auxiliary facilities ("5,000-Unit Residence Project") in EAST MELITA, Libya and the civil engineering project for phase I of 4 x 3,000t/d cement factory production line ("Cement Factory Project") in Misratah. The contract sum of such two projects shall be paid in accordance with construction progress. The total contract value amounted to RMB5,586 million and the outstanding value of these two projects aggregated to approximately RMB5,131 million, accounting for approximately 2% of the Company's total outstanding contract value as at the end of 2010. As the situation in Libya remained in turmoil, all projects of First Metallurgical had been suspended in Libya. The Company had organized evacuation of the Company's employees from Libya under the united arrangement of the PRC government (for details, please refer to the Company's announcement issued on 2 March 2011). The Company and First Metallurgical will continue to commit itself to the organization and implementation of the preservation work of relevant assets, and will commence subsequent negotiation for the projects in order in compliance of the standards set by relevant departments in China.

4. As the issuance was considered and passed in the general meeting, and registered by the National Association of Financial Market Institutional Investors, the Company issued the first tranche of short-term financing bills for 2011 on 3 August 2011. An aggregate of RMB4 billion of short-term financing bills were issued for a term of 365 days at an interest rate of 5.71% and are repayable on maturity with a one-off interest payment. The raised proceeds were fully received on 4 August 2011. The Company issued the second tranche of short-term financing bills for 2011 on 30 August 2011. An aggregate of RMB3 billion of short-term financing bills were issued for a term of 366 days at an interest rate of 5.78% and are repayable on maturity with a one-off interest payment. The raised proceeds were fully received on 31 August 2011. The Company issued the third tranche of short-term financing bills for 2011 on 12 October 2011. An aggregate of RMB10 billion of short-term financing bills were issued for a term of 366 days at an interest rate of 6.12% and are repayable on maturity with a one-off interest payment. The raised proceeds were fully received on 14 October 2011 (for details, please refer to the Company's overseas regulatory announcements issued on 4 August 2011, 1 September 2011 and 17 October 2011).

羅兵咸永道

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 136 to 264, which comprise the consolidated and company balance sheets as at 31 December 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED 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 (the "IFRS") 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements.

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

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pwc 羅兵咸永道

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit 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.

EMPHASIS OF MATTER

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

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 other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2012

	Note	As at 31 December 2011 RMB 'million	2010 RMB 'million
ASSETS			
Non-current assets			
Property, plant and equipment	6	**42,533**	37,104
Land use rights	7	**8,195**	8,054
Mining rights	8	**5,025**	4,857
Investment properties	9	**978**	812
Intangible assets	10	**6,992**	6,473
Investments in associates	12	**1,980**	1,815
Available-for-sale financial assets	14	**1,479**	1,548
Deferred income tax assets	29	**2,592**	2,161
Trade and other receivables	16	**22,239**	10,272
Other non-current assets		**334**	131
		92,347	73,227
Current assets			
Inventories	19	**13,896**	13,025
Properties under development	19	**54,844**	41,669
Completed properties held for sale	19	**4,277**	3,606
Trade and other receivables	16	**87,880**	84,390
Amounts due from customers for contract work	18	**33,104**	30,601
Available-for-sale financial assets	14	**50**	—
Held-to-maturity financial assets	15	**—**	250
Financial assets at fair value through profit or loss	17	**352**	—
Restricted cash	20	**2,560**	2,151
Cash and cash equivalents	21	**42,721**	39,302
		239,684	214,994
Total assets		**332,031**	288,221

The notes on pages 146 to 264 are an integral part of these financial statements.

	Note	As at 31 December 2011 RMB 'million	 2010 RMB 'million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	22	**19,110**	19,110
Reserves	23	**29,093**	25,861
— Proposed dividend	39	**—**	898
— Other reserves		**29,093**	24,963
		48,203	44,971
Non-controlling interests		**9,972**	8,541
Total equity		**58,175**	53,512
LIABILITIES			
Non-current liabilities			
Borrowings	25	**52,485**	52,675
Deferred income	26	**1,636**	801
Retirement and other supplemental benefit obligations	27	**5,405**	5,612
Provisions for other liabilities and charges	28	**79**	55
Trade and other payables	24	**357**	855
Deferred income tax liabilities	29	**524**	545
		60,486	60,543
Current liabilities			
Trade and other payables	24	**114,773**	106,314
Amounts due to customers for contract work	18	**11,825**	12,722
Current income tax liabilities		**1,464**	1,278
Borrowings	25	**84,676**	53,249
Retirement and other supplemental benefit obligations	27	**632**	603
		213,370	174,166
Total liabilities		**273,856**	234,709
Total equity and liabilities		**332,031**	288,221
Net current assets		**26,314**	40,828
Total assets less current liabilities		**118,661**	114,055

On behalf of the board

Jing Tianliang
Director

Shen Heting
Director

The notes on pages 146 to 264 are an integral part of these financial statements.

	Note	As at 31 December 2011 RMB 'million	2010 RMB 'million
ASSETS			
Non-current assets			
Property, plant and equipment		**208**	233
Intangible assets		**12**	7
Investments in subsidiaries	11	**54,791**	54,906
Trade and other receivables	16	**11,809**	15,820
Other non-current assets		**—**	1
		66,820	70,967
Current assets			
Inventories		**2**	2
Trade and other receivables	16	**40,143**	25,369
Amounts due from customers for contract work	18	**174**	14
Cash and cash equivalents	21	**14,153**	13,986
		54,472	39,371
Total assets		**121,292**	110,338
EQUITY			
Share capital	22	**19,110**	19,110
Reserves	23	**32,878**	34,700
Total equity		**51,988**	53,810
LIABILITIES			
Non-current liabilities			
Borrowings	25	**23,522**	21,331
Retirement and other supplemental benefit obligations		**25**	26
		23,547	21,357

The notes on pages 146 to 264 are an integral part of these financial statements.

	Note	As at 31 December 2011 RMB 'million	2010 RMB 'million
Current liabilities			
Trade and other payables	24	**11,821**	9,785
Amounts due to customers for contract work	18	**862**	602
Borrowings	25	**33,070**	24,781
Retirement and other supplemental benefit obligations		**4**	3
		45,757	35,171
Total liabilities		**69,304**	56,528
Total equity and liabilities		**121,292**	110,338
Net current assets		**8,715**	4,200
Total assets less current liabilities		**75,535**	75,167

On behalf of the board

Jing Tianliang
Director

Shen Heting
Director

The notes on pages 146 to 264 are an integral part of these financial statements.

	Note	Year ended 31 December 2011 RMB 'million	2010 RMB 'million
Revenue	5	**229,721**	206,397
Cost of sales	32	**(208,567)**	(185,635)
Gross profit		**21,154**	20,762
Selling and marketing expenses	32	**(1,836)**	(1,530)
Administrative expenses	32	**(11,839)**	(9,689)
Other income	30	**1,400**	1,112
Other gains/(losses) - net	31	**621**	(21)
Other expenses		**(188)**	(198)
Operating profit		**9,312**	10,436
Finance income	34	**1,643**	849
Finance costs	34	**(4,328)**	(2,876)
Share of profits of associates	12	**56**	134
Profit before income tax		**6,683**	8,543
Income tax expense	36	**(2,971)**	(2,972)
Profit for the year		**3,712**	5,571
Attributable to:			
Equity holders of the Company		**4,243**	5,321
Non-controlling interests		**(531)**	250
		3,712	5,571
Earnings per share for profit attributable to the equity holders of the Company			
— Basic earnings per share *(RMB)*	38	**0.22**	0.28
— Diluted earnings per share *(RMB)*	38	**0.22**	0.28
Dividends	39	**—**	898

The notes on pages 146 to 264 are an integral part of these financial statements.

		Year ended 31 December	
		2011	2010
	Note	***RMB 'million***	*RMB 'million*
Profit for the year		**3,712**	5,571
Other comprehensive income			
Fair value losses on available-for-sale financial assets, net of tax		**(131)**	(4)
Currency translation differences		**(176)**	(70)
Other comprehensive income for the year, net of tax		**(307)**	(74)
Total comprehensive income for the year		**3,405**	5,497
Total comprehensive income attributable to			
Equity holders of the Company		**3,964**	5,272
Non-controlling interests		**(559)**	225
		3,405	5,497

The notes on pages 146 to 264 are an integral part of these financial statements.

	Note	Share capital RMB 'million	Capital premium RMB 'million	Other reserves RMB 'million	Retained earnings RMB 'million	Sub total RMB 'million	Non-controlling interests RMB 'million	Total RMB 'million
		Attributable to equity holders of the Company						
At 1 January 2010		19,110	16,949	323	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/(losses) 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 transferred to investments in associates		—	—	—	—	—	(23)	(23)
Additional capital injection from owners and non-controlling interests proportionally		—	—	—	—	—	635	635
Business combination under common control		—	—	(39)	—	(39)	(6)	(45)
Appropriations		—	—	102	(102)	—	—	—
Capital contribution	23(a)	—	999	—	—	999	—	999
Others		—	—	(6)	—	(6)	—	(6)
Total transaction with owners		—	999	34	(102)	931	1,008	1,939
At 31 December 2010		19,110	17,948	308	7,605	44,971	8,541	53,512

The notes on pages 146 to 264 are an integral part of these financial statements.

		Attributable to equity holders of the Company						
	Note	Share capital *RMB 'million*	Capital premium *RMB 'million*	Other reserves *RMB 'million*	Retained earnings *RMB 'million*	Sub total *RMB 'million*	Non-controlling interests *RMB 'million*	Total *RMB 'million*
At 31 December 2010		19,110	17,948	308	7,605	44,971	8,541	53,512
Profit for the year		—	—	—	4,243	4,243	(531)	3,712
Other comprehensive income:								
Fair value losses on available-for- sale financial assets, net of tax		—	—	(125)	—	(125)	(6)	(131)
Currency translation differences		—	—	(154)	—	(154)	(22)	(176)
Total comprehensive income for the year		—	—	(279)	4,243	3,964	(559)	3,405
Transaction with owners								
Dividends	39	—	—	—	(898)	(898)	(415)	(1,313)
Transaction with non-controlling interests		—	—	164	—	164	1,711	1,875
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	—	155	155
Liquidation/disposal of subsidiaries		—	—	—	—	—	(100)	(100)
Investments in subsidiaries transferred to investments in associates		—	—	—	—	—	(75)	(75)
Additional capital injection from owners and non-controlling interests proportionally		—	—	—	—	—	715	715
Others		—	—	2	—	2	(1)	1
Total transaction with owners		—	—	166	(898)	(732)	1,990	1,258
At 31 December 2011		19,110	17,948	195	10,950	48,203	9,972	58,175

The notes on pages 146 to 264 are an integral part of these financial statements.

	Note	Year ended 31 December 2011 RMB 'million	2010 RMB 'million
Cash flows from operating activities			
Cash used in operations	40	**(9,403)**	(22,131)
Income tax paid		**(3,228)**	(2,990)
Net cash used in operating activities		**(12,631)**	(25,121)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(8,612)**	(9,166)
Purchases of land use rights		**(393)**	(445)
Purchases of mining rights		**(505)**	(294)
Purchases of investment properties		**(2)**	(2)
Purchases of intangible assets		**(539)**	(1,174)
Purchases of available-for-sale financial assets		**(569)**	(242)
Purchases of held-to-maturity financial assets		**—**	(538)
Increase in investment in associates		**(120)**	(258)
Net cash outflow for acquisition of subsidiaries	41	**—**	(25)
Net cash outflow for business combination under common control		**—**	(45)
Prepayment for investments		**—**	(1,099)
Amounts received from related parties and third parties		**20**	153
Proceeds from disposal of property, plant and equipment		**239**	154
Proceeds from disposal of land use rights		**202**	47
Proceeds from disposal of mining rights		**8**	—
Proceeds from disposal of investment properties		**29**	4
Proceeds from disposal of intangible assets		**11**	—
Proceeds from disposal of available-for-sale financial assets		**652**	287
Proceeds from held-to-maturity financial assets upon maturity date		**272**	596
Net cash inflow from disposal of investment in associates		**1**	2
Net cash outflow from losing control of subsidiaries		**(40)**	(25)
Net cash inflow on disposal of subsidiaries	42	**794**	57
Net cash inflow of withdraw the prepayment for investments		**—**	251
Transaction with non-controlling interests		**(235)**	(147)
Dividends received		**147**	80
Net cash inflow from asset related government grants		**765**	494
Net cash used in investing activities		**(7,875)**	(11,335)

The notes on pages 146 to 264 are an integral part of these financial statements.

		Year ended 31 December	
		2011	2010
	Note	***RMB 'million***	*RMB 'million*
Cash flows from financing activities			
Proceeds from borrowings		**98,847**	114,339
Repayments of borrowings		**(69,536)**	(79,749)
Contribution received from non-controlling interests		**2,839**	1,266
Dividends paid		**(1,251)**	(320)
Interest paid		**(6,572)**	(4,434)
Capital contribution		**—**	999
Changes in restricted cash		**(308)**	(928)
Net cash (outflow)/inflow from finance leases		**(30)**	5
Net cash generated from financing activities		**23,989**	31,178
Net increase/(decrease) in cash and cash equivalents		**3,483**	(5,278)
Cash and cash equivalents at beginning of the year		**39,302**	44,740
Exchange losses on cash and cash equivalents		**(64)**	(160)
Cash and cash equivalents at end of the year		**42,721**	39,302

The notes on pages 146 to 264 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 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)*

2.1 Basis of preparation *(Continued)*

New and amended standards that have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted.

The Group's and the Company's assessment of the impact of these new and amended standards is set out below:

IFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

IFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 upon its effective date, which is for the accounting period beginning on or after 1 January 2013.

IFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

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

2.2 Consolidation

(a) Subsidiaries

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

The transfer/acquisition of equity interests in subsidiaries which are regarded as common control combinations are accounted for in a manner similar to a uniting of interests. Assets and liabilities are transferred at book value, adjusted only to harmonise accounting policies, and no goodwill arises. Any difference between the consideration given and the aggregate book value of the assets and liabilities acquired (as of the date of the transaction) is included in equity. 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.

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 2.10(a)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the consolidated income statements.

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

2.2 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.

In the Company's balance sheet, the 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 results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(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.

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

2.2 Consolidation *(Continued)*

(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.

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

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

2.4 Foreign currency translation *(Continued)*

(b) Transactions and balances

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

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

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

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

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

2.5 Property, plant and equipment

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

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

— Buildings	15 - 40 years
— Plant and machinery	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 statements.

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

2.6 Deferred overburden removal costs

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

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

- All costs are initially charged to the consolidated income statements and classified as operating costs;

- When the current ratio of waste to ore is greater than the estimated life-of-mine ratio, a portion of the stripping costs (inclusive of an allocation of relevant overhead expenditure) is capitalised; and

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

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

Capitalised development stripping costs are classified as "Plant and machinery" and capitalised production stripping costs are classified as "Mining structures". These assets are considered in combination with other assets of an operation for the purpose of undertaking impairment assessment. Depreciation policy on these assets is described in Note 2.5.

2.7 Land use rights

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

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

2.8 Mining rights

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

2.9 Properties

(a) *Investment properties*

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

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

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

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

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

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

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

(b) *Properties under development*

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

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

2.9 Properties *(Continued)*

(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.

2.10 Intangible assets

(a) Goodwill

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

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

(b) Patent and proprietary technologies

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

(c) Computer software

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

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

2.10 Intangible assets *(Continued)*

(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. If intangible assets model is applicable, 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 assets model. If financial assets model is applicable, the Group classifies the assets in relation to these concession arrangements within financial assets classification on the consolidated balance sheets. Once the underlying infrastructure of the concession arrangements has been completed, the interest of financial assets will be calculated using effective interest rate method and related gain/(loss) will be charged to the consolidated income statement accordingly over the concession period.

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

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

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

2.12 Financial assets

2.12.1 Classification

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

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

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

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

2.12 Financial assets *(Continued)*

2.12.2 Recognition and measurement

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

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

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in 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 statements as "gain/(loss) on disposal of available-for-sale financial assets" in "other gains/(losses) - net"".

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

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

2.13 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)*

2.13 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.

2.14 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)*

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 Borrowings and borrowing costs

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

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

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

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

2.20 Current and deferred income tax

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except 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)*

2.21 Employee benefits

(a) *Pension obligations*

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

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

(b) *Other post-employment obligations*

Some Group companies in the PRC provide post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting 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 statements immediately. These obligations are valued annually by independent qualified actuaries.

(c) *Termination and early retirement benefits*

Termination and early retirement benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to 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 district of the employee concerned.

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

2.21 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.

2.22 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.

2.23 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)*

2.23 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 statements. Changes to the capitalised cost result in an adjustment to future amortisation charges. Adjustments to the estimated amount and timing of future restoration and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include revisions to estimated reserves, resources and lives of operations; development in technology; regulatory requirements and environmental management strategies; changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates; and movements in interest rates affecting the discount rate applied.

2.24 Government grants

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

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

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

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

2.25 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''.

2.26 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)*

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

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

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

(b) Revenue from mining

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

(c) Revenue from sales of properties

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

(d) Services rendered

Revenue for services rendered mainly includes technology 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.

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

2.26 Revenue recognition *(Continued)*

(e) *Sales of products*

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

(f) *Rental income*

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

(g) *Interest income*

Interest income is recognised 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.

2.27 Operating leases

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

(a) *As a lessee*

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

(b) *As a lessor*

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

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

2.28 Research and development

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

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

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

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

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

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

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

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

2.29 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.

2.30 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.

The Group's exposure to foreign exchange risk relates principally to its trade and other receivables, cash and cash equivalents, trade and other payables and borrowings that were denominated mainly in United States Dollars ("US dollar"), Hong Kong Dollars ("HK dollar") and Singapore Dollars ("Singapore 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 2011, if RMB had strengthened by 5% (2010: 5%) against US dollar, HK dollar, Singapore 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 2011 would have been approximately RMB233 million higher (2010: RMB393 million higher), mainly as a result of foreign exchange losses/gains on translation of US dollar, HK dollar, Singapore 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, trade and other payables and borrowings. Restricted cash, cash and cash equivalents, trade and other receivables, trade and other payables 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 2011, approximately RMB498 million (2010: RMB430 million) of the Group's restricted cash, approximately RMB503 million (2010: RMB477 million) of the Group's cash and cash equivalents and approximately RMB54,658 million (2010: RMB54,254 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, trade and other payables and borrowings are disclosed in Notes 20, 21, 16, 24 and 25 respectively.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Interest rate risk (Continued)

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 2011, if the interest rate on RMB-denominated borrowings and 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 2011 would have been RMB178 million lower and RMB24 million lower respectively, mainly as a result of higher interest expenses on bank borrowings and trade and other payables, mainly 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 10% increase and 10% 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 10% to illustrate the equity price risk as the fluctuation in equity price is unpredictable.

	As at 31 December	
	2011	2010
Change in equity price	**10%**	10%

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Impact on profit for the year		
Increase/(decrease) in profit for the year		
— as a result of increase in equity price	**26**	—
— as a result of decrease in equity price	**(26)**	—
Impact on equity		
Increase/(decrease) in equity for the year		
— as a result of increase in equity price	**28**	65
— as a result of decrease in equity price	**(28)**	(65)

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. The directors consider the Group does not have a significant concentration of credit risk. No single customer accounted for more than 5% of the Group's total revenues during the 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 2011					
Borrowings	**85,659**	**13,467**	**23,682**	**25,349**	**148,157**
Trade and other payables	**74,622**	**357**	**—**	**—**	**74,979**
	160,281	**13,824**	**23,682**	**25,349**	**223,136**
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

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 2011					
Borrowings	**33,900**	**3,769**	**8,729**	**17,725**	**64,123**
Trade and other payables	**11,742**	**—**	**—**	**—**	**11,742**
	45,642	**3,769**	**8,729**	**17,725**	**75,865**
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

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 2011:

	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)*	**352**	**—**	**—**	**352**
Available-for-sale financial assets *(Note 14)*	**368**	**1,161**	**—**	**1,529**
Total assets	**720**	**1,161**	**—**	**1,881**

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				
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

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

The gearing ratios as at 31 December 2011 are as follows:

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Total borrowings *(Note 25)*	**137,161**	105,924
Less: Cash and cash equivalents *(Note 21)*	**(42,721)**	(39,302)
Net debt	**94,440**	66,622
Total equity	**58,175**	53,512
Total capital	**152,615**	120,134
Gearing ratio	**62%**	55%

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 statements in the year in which the circumstances that give rise to the revision become known by management.

Please refer to Note 5(a)(i) for additional disclosure on construction contracts whose outcomes cannot be estimated reliably.

(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.

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

(c) Impairment of non-financial 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. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Management estimates value in use based on the estimated discounted future cash flows of the cash generating unit at the lowest level to which the asset belongs. Management uses a series of assumptions and estimations to determine the recoverable amount, including useful life of the asset, future market anticipation, future revenue, gross margin rate and discount rate, etc. The Group performed impairment testing for the assets with impairment indicators for the year ended 31 December 2011. The post tax discount rates used by the Group to calculate discounted future cash flows are from 8% to 18%. The provision for impairment of property, plant and equipment and goodwill were provided by the Group based on the recoverable amount and disclosed in Note 6 and Note 10. The provision for impairment of investments in subsidiaries was provided by the Company based on the recoverable amount. The amount of impairment provision provided is disclosed in Note 11(i).

(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. Deferred tax assets relating to certain temporary differences and tax losses are not recognised if management considers it is not probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised.

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 rate of increase of medical costs, mortality rate and 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 other businesses including the trading for import and export. Neither of these constitutes a separately reportable segment.

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

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

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

Additions to non-current assets comprises additions to property, plant and equipment (Note 6), land use rights (Note 7), mining rights (Note 8), investment properties (Note 9), intangible assets (Note 10), investment in associates (Note 12) and other non-current assets.

5. SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 31 December 2011:

The segment results for the year ended 31 December 2011 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	180,646	14,231	12,674	20,717	6,049	(4,596)	229,721
Inter-segment revenue	(3,437)	(577)	(219)	—	(363)	4,596	—
Revenue *(i)*	177,209	13,654	12,455	20,717	5,686	—	229,721
Segment results	8,002	5	(689)	2,091	120	20	9,549
Unallocated costs							(237)
Operating profit							9,312
Finance income	1,244	51	36	340	555	(583)	1,643
— Interest income	1,243	48	35	340	555	(583)	1,638
— Other finance income	1	3	1	—	—	—	5
Finance costs	(3,027)	(270)	(1,076)	(143)	(395)	583	(4,328)
— Interest expense	(3,039)	(260)	(835)	(142)	(393)	583	(4,086)
— Other finance costs	12	(10)	(241)	(1)	(2)	—	(242)
Share of profit of associates	62	(2)	—	(4)	—	—	56
Profit before income tax							6,683
Income tax expense	(1,593)	(65)	(139)	(1,122)	(52)	—	(2,971)
Profit for the year							3,712

5. SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 31 December 2011: *(Continued)*

(i) As at 31 December 2011, the outcome of certain construction contracts being undertaken by the Group cannot be estimated reliably due to the uncertainties surrounding the contract values, which will depend on various factors including the results of special purpose audits to be undertaken on the contract costs and the negotiations upon completion of such contracts. The aggregate contract values of these construction contracts did not exceed 6% of the total contract values of all construction contracts in progress. The Group estimates that, as at 31 December 2011, the remaining costs to be incurred to complete these contracts amounted to approximately RMB6,500 million (Please refer to Note 18(i) for certain construction contracts in progress). Despite the uncertainties surrounding the contract values depending on the results of future special purpose audits or the negotiations, based on its assessment, the Group believes that the contract costs incurred and the estimated costs to complete these contracts are recoverable. Accordingly, the Group has recognised revenue from these contracts to the extent of costs incurred without recognising any profit margin, and no provision for foreseeable losses has been made. The Group will continue to monitor the developments including the results of the future special purpose audits and status of the negotiations. In cases when certain contract costs become unrecoverable or when it is probable that the total contract costs will exceed total contract values, a loss will be recognised immediately. When the uncertainties that prevented the outcome of the contracts being estimated reliably no longer exist, revenue, costs and gross profits associated with those construction contracts will then be recognised by reference to the stage of completion of the contract activity.

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)*	1,100	558	527	44	21	2,250
Amortisation *(Notes 7, 8, 10)*	189	30	130	1	23	373
Provision for impairment of property, plant and equipment *(Note 6)*	6	13	51	—	—	70
Provision for impairment of inventories *(Note 19)*	13	13	271	—	17	314
Foreseeable losses on construction contracts *(Note 32)*	120	—	—	—	—	120
Provision for impairment of trade and other receivables *(Note 32)*	869	57	71	36	11	1,044
Provision for impairment of land use rights *(Note 7)*	40	—	—	—	—	40
Provision for impairment of goodwill *(Note 10)*	—	—	—	42	—	42

5. SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 31 December 2011: *(Continued)*

The segment assets and liabilities as at 31 December 2011 and additions to non-current assets 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	204,455	23,172	35,367	98,780	21,504	(57,700)	325,578
Interests in associates	1,368	—	2	610	—	—	1,980
Unallocated assets							4,473
Total assets							332,031
Liabilities							
Segment liabilities	186,076	15,487	30,090	80,797	18,162	(57,280)	273,332
Unallocated liabilities							524
Total liabilities							273,856
Additions to non-current assets	4,547	2,386	3,836	160	16	—	10,945

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

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

5. SEGMENT INFORMATION *(Continued)*

(b) 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	158,381	10,632	11,084	25,576	5,811	(5,087)	206,397
Inter-segment revenue	(3,193)	(351)	(356)	—	(1,187)	5,087	—
Revenue	155,188	10,281	10,728	25,576	4,624	—	206,397
Segment results	6,580	(103)	552	3,812	21	(200)	10,662
Unallocated costs							(226)
Operating profit							10,436
Finance income	396	27	63	249	504	(390)	849
— Interest income	385	27	18	249	504	(390)	793
— Other finance income	11	—	45	—	—	—	56
Finance costs	(1,801)	(159)	(547)	(450)	(306)	387	(2,876)
— Interest expense	(1,611)	(151)	(657)	(450)	(302)	387	(2,784)
— Other finance costs	(190)	(8)	110	—	(4)	—	(92)
Share of profit of associates	161	(22)	—	(5)	—	—	134
Profit before income tax							8,543
Income tax expense	(825)	(64)	(405)	(1,588)	(90)	—	(2,972)
Profit for the year							5,571

5. SEGMENT INFORMATION *(Continued)*

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

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)*	937	290	482	29	20	1,758
Amortisation *(Notes 7, 8, 10)*	206	21	87	2	19	335
Provision for impairment of property, plant and equipment *(Note 6)*	—	—	—	—	15	15
Provision for impairment of inventories *(Note 19)*	1	49	108	—	—	158
Foreseeable losses on construction contracts *(Note 32)*	65	—	—	—	—	65
Provision for impairment of trade and other receivables *(Note 32)*	798	50	38	34	12	932
Provision for impairment of goodwill *(Note 10)*	—	—	—	227	—	227

5. SEGMENT INFORMATION *(Continued)*

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

The segment assets and liabilities as at 31 December 2010 and additions to non-current assets 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	177,903	20,769	35,789	74,960	19,134	(45,858)	282,697
Interests in associates	1,202	8	2	603	—	—	1,815
Unallocated assets							3,709
Total assets							288,221
Liabilities							
Segment liabilities	161,830	14,305	30,055	58,022	15,643	(45,691)	234,164
Unallocated liabilities							545
Total liabilities							234,709
Additions to non-current assets	4,807	2,354	5,173	107	667	—	13,108

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	234,164
Investments in associates	1,815	—
Unallocated:		
Deferred income tax	2,161	545
Available-for-sale financial assets	1,548	—
Total	288,221	234,709

5. SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Construction contracts	**177,209**	155,188
Sales of goods	**46,826**	46,585
Others *(i)*	**5,686**	4,624
	229,721	206,397

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

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

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
The PRC	**215,777**	193,959
Other countries	**13,944**	12,438
	229,721	206,397

(e) As at 31 December 2011, the total of non-current assets other than available-for-sale financial assets, non-current portion of trade and other receivables and deferred income tax assets located in the PRC is RMB50,459 million (2010: RMB45,365 million), and the total of these non-current assets located in other countries is RMB15,578 million (2010: RMB13,881 million).

5. SEGMENT INFORMATION *(Continued)*

(f) Total assets

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

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
The PRC	**290,787**	253,612
Other countries	**36,771**	30,900
	327,558	284,512
Unallocated assets	**4,473**	3,709
	332,031	288,221

(g) Additions to non-current assets

Additions to non-current assets are allocated based on where the assets are located.

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
The PRC	**8,861**	10,336
Other countries	**2,084**	2,772
	10,945	13,108

6. PROPERTY, PLANT AND EQUIPMENT

Group

	Mining structure *RMB 'million*	Buildings *RMB 'million*	Plant and machinery *RMB 'million*	Transportation equipment *RMB 'million*	Furniture, office and other equipment *RMB 'million*	Construction-in-progress *RMB 'million*	Total *RMB 'million*
Cost							
At 1 January 2010	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
Additions	—	239	965	354	125	6,920	8,603
Transfer from investment properties *(Note 9)*	—	39	—	—	—	—	39
Attributable to acquisition of subsidiaries *(Note 41)*	—	17	4	1	—	—	22
Transfer upon completion	43	1,794	1,960	20	125	(3,942)	—
Disposals/write-off	(31)	(297)	(741)	(131)	(42)	—	(1,242)
Disposal of subsidiaries *(Note 42)*	—	(4)	(41)	(4)	(2)	(58)	(109)
Exchange differences	—	(98)	(22)	(6)	(3)	(53)	(182)
Transfer to investment properties *(Note 9)*	—	(178)	—	—	—	(19)	(197)
Reclassification	—	(25)	(13)	23	15	—	—
At 31 December 2011	74	16,345	17,969	2,332	975	16,311	54,006

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

Group *(Continued)*

	Mining structure	Buildings	Plant and machinery	Transportation equipment	Furniture, office and other equipment	Construction-in-progress	Total
	RMB 'million	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*
Accumulated depreciation							
At 1 January 2010	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	—	(105)	(249)	(111)	(48)	—	(513)
Exchange differences	—	(1)	(2)	—	—	—	(3)
Transfer to investment properties *(Note 9)*	—	(18)	—	—	—	—	(18)
At 31 December 2010	5	2,718	5,916	930	374	—	9,943
Depreciation	5	684	1,279	279	128	—	2,375
Transfer from investment properties *(Note 9)*	—	28	—	—	—	—	28
Disposals/write-off	(1)	(166)	(587)	(92)	(38)	—	(884)
Disposal of subsidiaries *(Note 42)*	—	(1)	(15)	(2)	(1)	—	(19)
Exchange differences	—	(12)	(5)	(5)	(1)	—	(23)
Transfer to investment properties *(Note 9)*	—	(27)	—	—	—	—	(27)
Reclassification	—	(2)	(3)	3	2	—	—
At 31 December 2011	9	3,222	6,585	1,113	464	—	11,393

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

Group *(Continued)*

	Mining structure *RMB 'million*	Buildings *RMB 'million*	Plant and machinery *RMB 'million*	Transportation equipment *RMB 'million*	Furniture, office and other equipment *RMB 'million*	Construction-in-progress *RMB 'million*	Total *RMB 'million*
Impairment provision							
At 1 January 2010	—	1	3	—	—	6	10
Additions	—	—	15	—	—	—	15
At 31 December 2010	—	1	18	—	—	6	25
Additions*(c)*	—	—	67	2	1	—	70
Disposal of subsidiaries *(Note 42)*	—	—	(15)	—	—	—	(15)
At 31 December 2011	—	1	70	2	1	6	80
Net book value							
At 31 December 2011	65	13,122	11,314	1,217	510	16,305	42,533
At 31 December 2010	57	12,139	9,923	1,145	383	13,457	37,104

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

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Cost of sales	**1,681**	1,278
Administrative expenses	**517**	434
Selling and marketing expenses	**11**	11
	2,209	1,723

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 2011, bank borrowings are secured by certain property, plant and equipment of the Group with an aggregate carrying amount of approximately RMB1,215 million (2010: RMB1,180 million) (Note 25).

(c) For the year ended 31 December 2011, the Group has performed an impairment assessment on the property, plant and equipment of a subsidiary of the Company, MCC Huludao Nonferrous Metals Group Co., Ltd. (the "Huludao") based on its estimated future cash flows and using a number of assumptions, including continuing its existing operations based on historical business model, the overall market trend of nonferrous metal price and the current conditions of the related assets. The recoverable amount is calculated using the present value of future cash flows based on a number of assumptions, including the estimated useful lives of the related assets, financial forecast approved by management and the post tax discount rate of 9.7%. The future cash flows of these assets during the forecast period are determined based on forecasted revenue growth rate and forecasted gross margin rate. The forecasted growth rate is determined based on historical and estimated future growth rate of the related operations, whereas the forecasted gross margin rate is determined based on the historical operating performance and management forecasts. The results of impairment assessment indicated that the recoverable amount of Huludao's property, plant and equipment was lower than its book value as at 31 December 2011. Accordingly, the Group has made an impairment provision for property, plant and equipment of Huludao amounted to RMB51 million for the year ended 31 December 2011. Due to uncertainty in fluctuations of future nonferrous metal price, the Group will continue to monitor the recoverability of property, plant and equipment of Huludao. If there is indication that the recoverable amount of the property, plant and equipment is lower than its book value in future, an impairment loss will be recognised to further write down the carrying values of the property, plant and equipment to its recoverable amount. An impairment loss will then be charged to the consolidated income statement and the related impairment provision for property, plant and equipment will be recognised.

7. LAND USE RIGHTS

Group

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Cost		
At beginning of the year	**8,611**	8,120
Additions	**505**	467
Transfer from investment properties *(Note 9)*	**39**	114
Attributable to acquisition of subsidiaries *(Note 41)*	**41**	34
Disposals	**(234)**	(50)
Transfer to investment properties *(Note 9)*	**—**	(74)
At end of the year	**8,962**	8,611
Accumulated amortisation		
At beginning of the year	**557**	383
Amortisation	**183**	177
Transfer from investment properties *(Note 9)*	**9**	5
Disposals	**(12)**	(2)
Transfer to investment properties *(Note 9)*	**—**	(6)
At end of the year	**737**	557
Impairment provision		
At beginning of the year	**—**	—
Additions	**40**	—
Disposals	**(10)**	—
At end of the year	**30**	—
Net book value	**8,195**	8,054

7. LAND USE RIGHTS *(Continued)*

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	
	2011	2010
	RMB 'million	*RMB 'million*
Land use rights lease period between 10 to 50 years	**6,075**	6,082
Land use rights lease period over 50 years	**2,120**	1,972
	8,195	8,054

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

(b) As at 31 December 2011, bank borrowings are secured by certain land use rights of the Group with an aggregate carrying amount of approximately RMB1,400 million (2010: RMB1,743 million) (Note 25).

8. MINING RIGHTS

Group

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Cost		
At beginning of the year	**4,907**	3,686
Additions	**519**	313
Attributable to acquisition of subsidiaries *(Note 41)*	**—**	686
Disposals	**(8)**	—
Disposal of subsidiaries *(Note 42)*	**(50)**	—
Exchange differences	**(213)**	222
At end of the year	**5,155**	4,907
Accumulated amortisation		
At beginning of the year	**50**	11
Amortisation	**81**	39
Disposals	**(1)**	—
At end of the year	**130**	50
Net book value	**5,025**	4,857

9. INVESTMENT PROPERTIES

Group

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Cost		
At beginning of the year	**1,048**	994
Additions	**105**	20
Transfer from property, plant and equipment *(Note 6)*	**197**	81
Transfer from land use rights *(Note 7)*	**—**	74
Disposals	**(38)**	(4)
Transfer to property, plant and equipment *(Note 6)*	**(39)**	(3)
Transfer to land use rights *(Note 7)*	**(39)**	(114)
At end of the year	**1,234**	1,048
Accumulated depreciation		
At beginning of the year	**236**	184
Depreciation	**41**	35
Transfer from property, plant and equipment *(Note 6)*	**27**	18
Transfer from land use rights *(Note 7)*	**—**	6
Disposals	**(11)**	(1)
Transfer to property, plant and equipment *(Note 6)*	**(28)**	(1)
Transfer to land use rights *(Note 7)*	**(9)**	(5)
At end of the year	**256**	236
Impairment provision		
At beginning of the year	**—**	—
Disposals	**—**	—
At end of the year	**—**	—
Net book value	**978**	812
Fair value *(a)*	**2,636**	2,133

(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) Rental income of the Group's investment properties of RMB150 million (2010: RMB119 million) is recognised as other revenue and depreciation of the Group's investment properties of RMB41 million (2010: RMB35 million) is recognised as other expense in the consolidated income statement.

10. INTANGIBLE ASSETS

Group

	Goodwill	Patent and proprietary technologies	Purchased computer software	Concession assets	Total
	RMB 'million	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*
Cost					
At 1 January 2010	1,018	44	157	4,178	5,397
Additions	96	—	48	1,715	1,859
Disposals	(316)	—	(1)	—	(317)
Exchange differences	(9)	—	—	—	(9)
At 31 December 2010	789	44	204	5,893	6,930
Additions	33	1	70	600	704
Attributable to acquisition of subsidiaries *(Note 41)*	—	—	1	—	1
Disposals	—	—	—	(11)	(11)
Exchange differences	(24)	—	—	—	(24)
At 31 December 2011	798	45	275	6,482	7,600
Accumulated amortisation					
At 1 January 2010	—	19	59	19	97
Amortisation	—	6	33	80	119
Disposals	—	—	(1)	—	(1)
At 31 December 2010	—	25	91	99	215
Amortisation	—	2	37	70	109
Disposals	—	—	—	—	—
At 31 December 2011	—	27	128	169	324
Impairment provision					
At 1 January 2010	15	—	—	—	15
Additions	227	—	—	—	227
At 31 December 2010	242	—	—	—	242
Additions	42	—	—	—	42
At 31 December 2011	284	—	—	—	284
Net book value					
At 31 December 2011	514	18	147	6,313	6,992
At 31 December 2010	547	19	113	5,794	6,473

10. INTANGIBLE ASSETS *(Continued)*

Group *(Continued)*

(a) Amortisation of the Group's intangible assets for the year ended 31 December 2011 amounting to RMB109 million (2010: RMB119 million) has been charged to the consolidated income statement as administrative expenses.

(b) For the purposes of impairment testing, goodwill has been allocated to 18 (2010: 19) individual cash generating units ("CGUs") which comprise 18 (2010: 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 2011 which were allocated to the significant CGU in comparison with the Group's total carrying amount of goodwill were as follows:

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
MCC Minera Sierra Grande S.A. *(i)*	**188**	211
MCC Finance Corporation Ltd. *(ii)*	**105**	105

Other goodwill of other CGUs is less than RMB100 million.

(i) The recoverable amount is determined based on fair value less costs to sell as the company has intention to sell its business. Fair value less costs to sell is based on management's best estimated selling price, adjusted for incremental costs that would be directly attributable to the disposal of the business.

As at 31 December 2011, 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 13%. Cash flow projections during the forecast period for the CGU are based on the expected growth rate and gross margin during the forecast period. Forecast growth rate is based on 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 2011, 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.

11. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Unlisted investments:		
Investments in subsidiaries at cost	**57,041**	54,906
Impairment provision *(i)*	**(2,250)**	–
Investments in subsidiaries, net	**54,791**	54,906

(i) The recoverable amount of investments in subsidiaries is the higher of its fair value less costs to sell and its value in use. The recoverable amount is determined based on a number of assumptions to reduce the investments in subsidiaries to its recoverable amount. Assumptions and estimations which were used to determine estimated future cash flows are based on continuing its existing operations based on historical business model, overall market trend, current condition of related assets, post tax discount rate of 10% and perpetual continuous operation. As the operating losses increased during the year 2011, with the assumption that Huludao will continue its current operations, the Company assessed its investment in Huludao based on the market value of its A share listed subsidiary as at 31 December 2011 and the estimated future cash flows of other CGUs based on a number of assumptions. Based on the impairment assessment results, the Company provided RMB2,250 million for its investment in Huludao for the year ended 31 December 2011 (2010: nil). Due to uncertainty in fluctuations of future nonferrous metal price and the share price of its A share listed subsidiary, the Company will continue to monitor the recoverability of investment in Huludao. If there is indication that the recoverable amount of investment in Huludao is lower than its book value in future, an impairment loss will be recogonised to further write down the carrying values of investment in Huludao to its recoverable amount. An impairment loss will then be charged to the consolidated income statement and the related impairment provision of investment in Huludao would be recognised.

(ii) Particulars of the Company's principal subsidiaries are set out in Note 47.

12. INVESTMENTS IN ASSOCIATES

Group

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

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
At beginning of year	**1,815**	1,155
Additions	**190**	558
Share of profit	**56**	134
Dividend distribution	**(72)**	(20)
Disposals	**(9)**	(4)
Impairment provision	**—**	(8)
At end of year	**1,980**	1,815

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

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Total assets	**6,658**	5,134
Total liabilities	**(4,640)**	(3,306)
Non-controlling interests	**(38)**	(13)
	1,980	1,815

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Revenue	**1,528**	1,642
Profit for the year	**56**	134

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 2011					
Assets as per consolidated balance sheet					
Available-for-sale financial assets *(Note 14)*	—	—	—	1,529	1,529
Trade receivables *(Note 16)*	80,542	—	—	—	80,542
Deposits and other receivables *(Note 16)*	12,705	—	—	—	12,705
Financial assets at fair value through profit or loss *(Note 17)*	—	352	—	—	352
Restricted cash *(Note 20)*	2,560	—	—	—	2,560
Cash and cash equivalents *(Note 21)*	42,721	—	—	—	42,721
Total	138,528	352	—	1,529	140,409

	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
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

13. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group *(Continued)*

Other financial liabilities	**As at 31 December 2011** *RMB 'million*	2010 *RMB 'million*
Liabilities as per consolidated balance sheet		
Borrowings *(Note 25)*	**137,161**	105,924
Trade payables *(Note 24)*	**61,309**	59,736
Accrued expenses, deposits payable, long-term payables due to third parties and other payables *(Note 24)*	**13,670**	13,100
Total	**212,140**	178,760

Company

Loans and receivables	**As at 31 December 2011** *RMB 'million*	2010 *RMB 'million*
Assets as per balance sheet		
Trade receivables *(Note 16)*	**2,126**	1,278
Amounts due from subsidiaries and other receivables *(Note 16)*	**47,807**	37,644
Cash and cash equivalents *(Note 21)*	**14,153**	13,986
Total	**64,086**	52,908

Other financial liabilities	**As at 31 December 2011** *RMB 'million*	2010 *RMB 'million*
Liabilities as per balance sheet		
Borrowings *(Note 25)*	**56,592**	46,112
Trade payables *(Note 24)*	**770**	478
Interest payable, amounts due to subsidiaries and other payables *(Note 24)*	**10,972**	9,166
Total	**68,334**	55,756

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	
	2011	2010
	RMB 'million	*RMB 'million*
At beginning of year	**1,548**	1,491
Additions	**622**	245
Disposals	**(645)**	(222)
Net fair value gains transferred to equity	**17**	36
Provision for impairment	**(13)**	(2)
At end of year	**1,529**	1,548
Less: non-current portion	**(1,479)**	(1,548)
Current portion	**50**	—

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

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Listed securities		
— Equity securities - China	**368**	867
Unlisted securities		
— Equity securities - China	**1,161**	681
	1,529	1,548
Market value of listed securities	**368**	867

(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	
	2011	2010
	RMB 'million	*RMB 'million*
At beginning of year	**250**	301
Additions	**—**	539
Accrued interest	**—**	1
Settlement upon maturity	**(250)**	(591)
At end of year	**—**	250
Less: non-current portion	**—**	—
Current portion	**—**	250

There were no impairment provisions on held-to-maturity financial assets for the year ended 31 December 2011(2010: 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	
	2011	2010
	RMB 'million	*RMB 'million*
Trade receivables		
Trade receivables	**67,219**	49,521
Retentions	**2,093**	1,979
Notes receivables	**11,230**	10,274
	80,542	61,774
Less: Provision for impairment	**(4,374)**	(3,607)
Trade receivables - net	**76,168**	58,167
Other receivables		
Prepayments to suppliers	**19,875**	22,607
Deposits	**8,319**	8,649
Amounts due from related parties and third parties	**1,518**	1,848
Staff advances	**596**	702
Prepayment for investments	**1,867**	2,606
Others	**2,868**	970
	35,043	37,382
Less: Provision for impairment	**(1,092)**	(887)
Other receivables - net	**33,951**	36,495
Total trade and other receivables	**110,119**	94,662
Less: Non-current portion		
— Trade and other receivables	**(21,961)**	(9,577)
— Retentions	**(278)**	(695)
	(22,239)	(10,272)
Current portion	**87,880**	84,390

Please refer to Note 46 for the Group's trade and other receivables due from related parties.

The carrying amounts of trade and other receivables (excluding prepayments to suppliers and deposits) approximate their fair values.

16. TRADE AND OTHER RECEIVABLES *(Continued)*

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Trade receivables		
Trade receivables	**1,470**	1,170
Notes receivables	**656**	108
	2,126	1,278
Less: Provision for impairment	**(50)**	(33)
Trade receivables - net	**2,076**	1,245
Other receivables		
Prepayments to suppliers	**254**	485
Amounts due from subsidiaries	**47,706**	37,502
Prepayment for investments	**1,867**	1,867
Others	**101**	142
	49,928	39,996
Less: Provision for impairment	**(52)**	(52)
Other receivables - net	**49,876**	39,944
Total trade and other receivables	**51,952**	41,189
Less: Non-current portion		
— Trade receivables	**(11,809)**	(15,820)
Current portion	**40,143**	25,369

Please refer to Note 46 for the Company's trade and other receivables due from related parties.

The carrying amounts of trade and other receivables (excluding prepayments to suppliers) approximate their fair values.

16. TRADE AND OTHER RECEIVABLES *(Continued)*

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

Group

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Less than 1 year	**59,659**	47,738
1 year to 2 years	**15,102**	9,281
2 years to 3 years	**3,108**	2,691
3 years to 4 years	**1,213**	1,133
4 years to 5 years	**721**	257
Over 5 years	**739**	674
Trade receivables - gross	**80,542**	61,774
Less: Provision for impairment	**(4,374)**	(3,607)
Trade receivables - net	**76,168**	58,167

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Less than 1 year	**1,432**	973
1 year to 2 years	**482**	204
2 years to 3 years	**139**	101
3 years to 4 years	**73**	—
4 years to 5 years	**—**	—
Over 5 years	**—**	—
Trade receivables - gross	**2,126**	1,278
Less: Provision for impairment	**(50)**	(33)
Trade receivables - net	**2,076**	1,245

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.

16. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) As at 31 December 2011, the Group's trade and other receivables of RMB56,920 million (2010: RMB44,431 million) were fully performing. As at 31 December 2011, the Company's trade and other receivables of RMB48,828 million (2010: RMB38,330 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 the trade and other receivables that were fully performing has been renegotiated during the year.

(d) As at 31 December 2011, the Group's trade and other receivables of approximately RMB30,796 million (2010: RMB24,253 million) were overdue but not impaired. As at 31 December 2011, the Company's trade and other receivables of approximately RMB936 million (2010: RMB401 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	
	2011	2010
	RMB 'million	*RMB 'million*
Less than 1 year	**23,454**	18,060
1 year to 2 years	**6,007**	5,074
2 years to 3 years	**749**	751
3 years to 4 years	**586**	368
Over 4 years	**—**	—
Total	**30,796**	24,253

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Less than 1 year	**936**	401

16. TRADE AND OTHER RECEIVABLES *(Continued)*

(e) As at 31 December 2011, the Group's trade and other receivables of approximately RMB5,531 million (2010: RMB4,557 million) were wholly or partially impaired. The amount of the related provisions for impairment of these receivables was approximately RMB5,466 million (2010: RMB4,494 million). As at 31 December 2011, the Company's trade and other receivables of approximately RMB169 million (2010: RMB190 million) were wholly or partially impaired. The amount of the related provisions for impairment of these receivables was approximately RMB102 million (2010: RMB85 million). The ageing analysis of these impaired trade and other receivables are as follows:

Group

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Less than 1 year	**2,061**	1,558
1 year to 2 years	**806**	644
2 years to 3 years	**594**	593
3 years to 4 years	**586**	424
4 years to 5 years	**407**	323
Over 5 years	**1,077**	1,015
Total	**5,531**	4,557

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Less than 1 year	**—**	—
1 year to 2 years	**—**	44
2 years to 3 years	**44**	94
3 years to 4 years	**73**	—
Over 4 years	**52**	52
Total	**169**	190

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	
	2011	2010
	RMB 'million	*RMB 'million*
At beginning of year	**4,494**	3,586
Additions	**1,044**	932
Write-off	**(55)**	(12)
Others	**(17)**	(12)
At end of year	**5,466**	4,494

Company

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
At beginning of year	**85**	69
Additions	**23**	16
Reversal upon collection	**(6)**	—
At end of year	**102**	85

(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	
	2011	2010
	RMB 'million	*RMB 'million*
RMB	**106,784**	91,049
US dollar	**1,863**	1,652
Others	**1,472**	1,961
	110,119	94,662

16. TRADE AND OTHER RECEIVABLES *(Continued)*

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

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
RMB	**46,325**	39,390
US dollar	**5,198**	1,791
Others	**429**	8
	51,952	41,189

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	Investments in listed equity securities in China
	RMB 'million
At 1 January 2010	301
Additions	644
Disposals	(945)
Increase in fair value through profit or loss	—
At 31 December 2010	—
Additions	1,251
Disposals	(900)
Increase in fair value through profit or loss	1
At 31 December 2011	352

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	
	2011	2010
	RMB 'million	*RMB 'million*
Contract cost incurred plus recognised profit less recognised losses	**533,966**	428,590
Less: Progress billings	**(512,687)**	(410,711)
Contract work-in-progress *(i)*	**21,279**	17,879
Representing:		
Amounts due from customers for contract work	**33,104**	30,601
Amounts due to customers for contract work	**(11,825)**	(12,722)
	21,279	17,879

Group

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Contract revenue recognised as revenue	**177,209**	155,188

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

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

18. CONTRACT WORK-IN-PROGRESS *(Continued)*

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Contract cost incurred plus recognised profit less recognised losses	**8,352**	6,149
Less: Progress billings	**(9,040)**	(6,737)
Contract work-in-progress	**(688)**	(588)
Representing:		
Amounts due from customers for contract work	**174**	14
Amounts due to customers for contract work	**(862)**	(602)
	(688)	(588)

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Contract revenue recognised as revenue	**2,730**	2,789

19. INVENTORIES, PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

(a) Inventories

Group

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Raw materials	**6,566**	6,928
Work-in-progress	**3,391**	3,455
Finished goods	**3,939**	2,642
	13,896	13,025

19. INVENTORIES, PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE *(Continued)*

(a) Inventories *(Continued)*

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

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
At beginning of year	**239**	95
Additions	**314**	158
Write-off	**(122)**	(14)
At end of year	**431**	239

(b) Properties under development

Group

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
At beginning of year	**41,669**	20,364
Additions	**27,211**	36,927
Attributable to acquisition of subsidiaries *(Note 41)*	**58**	—
Transfer to completed properties held for sale	**(12,632)**	(15,622)
Disposal of subsidiaries *(Note 42)*	**(1,462)**	—
At end of year	**54,844**	41,669

The analysis as at 31 December 2011 of the properties under development is as follows:

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Land use rights	**33,263**	24,125
Development costs	**19,443**	16,496
Finance costs capitalised	**2,138**	1,048
	54,844	41,669

19. INVENTORIES, PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE *(Continued)*

(b) Properties under development *(Continued)*

Group *(Continued)*

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

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
At beginning of year	**24,125**	7,939
Attributable to acquisition of subsidiaries	**21**	—
Additions	**11,117**	19,146
Transfer to completed properties held for sale	**(1,850)**	(2,960)
Disposal of subsidiaries	**(150)**	—
At end of year	**33,263**	24,125

As at 31 December 2011, certain properties under development with carrying value of RMB6,737 million (2010: RMB6,444 million) are pledged as securities for long-term bank borrowings of RMB3,352 million (2010: RMB3,148 million)(Note 25).

(c) Completed properties held for sale

The analysis as at 31 December 2011 of the completed properties held for sale is as follows:

Group

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Land use rights	**926**	554
Development costs	**2,955**	2,462
Finance costs capitalised	**396**	590
	4,277	3,606

19. INVENTORIES, PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE *(Continued)*

(c) Completed properties held for sale *(Continued)*

Group *(Continued)*

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

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
At beginning of year	**554**	281
Transfer from properties under development	**1,850**	2,960
Transfer to cost of sales	**(1,478)**	(2,687)
At end of year	**926**	554

The cost of inventories, properties under development and completed properties held for sale recognised as expenses and included in "cost of sales" amounted to RMB44,601 million for the year ended 31 December 2011 (2010: RMB43,456 million).

20. RESTRICTED CASH

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Restricted cash	**2,560**	2,151

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 2011, the weighted average effective interest rates per annum on restricted cash, with maturities ranging from 6 months to 1 year, was approximately 2.31% (2010: 2.16%).

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	
	2011	2010
	RMB 'million	*RMB 'million*
Cash at bank and in hand	**39,378**	31,417
Bank deposits	**3,343**	7,885
Cash and cash equivalents	**42,721**	39,302
Denominated in:		
— RMB	**40,112**	34,434
— US dollar	**1,932**	2,650
— HK dollar	**13**	1,226
— Others	**664**	992
	42,721	39,302

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 2011, the weighted average effective interest rate per annum on bank deposits was approximately 2.18% (2010: 2.03%).

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Cash at bank and in hand	**14,153**	13,986
Denominated in:		
— RMB	**14,095**	12,461
— US dollar	**40**	299
— HK dollar	**13**	1,226
— Others	**5**	—
	14,153	13,986

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			
	2011		2010	
	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 RMB1.00 each(a)	12,736	12,736	12,739	12,739
— A Shares of RMB1.00 each(b)	3,503	3,503	3,500	3,500
Including: A shares issued by the Company	3,500	3,500	3,500	3,500
A shares sold by the National Council for Social Security Fund ("NSSF")	3	3	–	–
— H Shares of RMB1.00 each(c)	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 NSSF	261	261	261	261
	19,110	19,110	19,110	19,110

A summary of the movements in the Company's issued share capital is as follows:

	As at 31 December			
	2011		2010	
	Number of shares	Nominal Value	Number of shares	Nominal Value
	million	*RMB' million*	*million*	*RMB' million*
At beginning and end of the year	19,110	19,110	19,110	19,110

(a) The 12,736 million state-owned shares comprise the following:

(i) 12,265 million shares are held by China Metallurgical Group Corporation (the "Parent");

(ii) 124 million shares are held by Baosteel Group Corporation;

(iii) 350 million shares were transferred to NSSF, of which 3 million shares were sold in 2011.

(b) 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).

(c) 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 (RMB13,730 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

	Note	Capital premium RMB 'million	Other capital reserve RMB 'million	Available-for-sale fair value reserve RMB 'million	Translation differences RMB 'million	Other reserves RMB 'million	Retained earnings RMB 'million	Total RMB 'million
At 1 January 2010		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 for the year		—	—	7	(56)	—	5,321	5,272
Transactions with owners								
Transaction with non-controlling interests		—	(23)	—	—	—	—	(23)
Business combination under common control		—	(39)	—	—	—	—	(39)
Appropriations		—	—	—	—	102	(102)	—
Capital contribution *(a)*		999	—	—	—	—	—	999
Others		—	—	—	—	(6)	—	(6)
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)*

	Note	Capital premium RMB 'million	Other capital reserve RMB 'million	Available-for-sale fair value reserve RMB 'million	Translation differences RMB 'million	Other reserves RMB 'million	Retained earnings RMB 'million	Total RMB 'million
At 31 December 2010		17,948	(83)	219	(117)	289	7,605	25,861
Profit for the year		—	—	—	—	—	4,243	4,243
Other comprehensive income:								
Fair value losses on available-for-sale financial assets, net of tax		—	—	(125)	—	—	—	(125)
Currency translation differences		—	—	—	(154)	—	—	(154)
Total comprehensive income for the year		—	—	(125)	(154)	—	4,243	3,964
Transactions with owners								
Dividends	39	—	—	—	—	—	(898)	(898)
Transaction with non-controlling interests		—	164	—	—	—	—	164
Others		—	2	—	—	—	—	2
Total transactions with owners		—	166	—	—	—	(898)	(732)
At 31 December 2011		17,948	83	94	(271)	289	10,950	29,093

23. RESERVES *(Continued)*

Company

	Note	Capital reserve RMB 'million	Translation differences RMB 'million	Other reserves RMB 'million	(Accumulated deficit)/ retained earnings RMB 'million	Total RMB 'million
At 1 January 2010		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						
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
Loss for the year		—	—	—	(924)	(924)
Total comprehensive income for the year		—	—	—	(924)	(924)
Transactions with owners						
Dividends	39	—	—	—	(898)	(898)
Total transactions with owners		—	—	—	(898)	(898)
At 31 December 2011		33,494	2	289	(907)	32,878

The profit attributable to equity holders of the Company for the year ended 31 December 2011 is dealt with in the financial statements of the Company to the extent of deficit of RMB924 million (2010: profit of RMB1,458 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	
	2011	2010
	RMB 'million	*RMB 'million*
Trade payables	**61,309**	59,736
Other payables		
Accrued payroll and related expenses	**2,574**	1,934
Accrued expenses	**768**	694
Purchase deposits from customers	**32,719**	29,004
Deposits payable	**4,832**	4,193
Rental payable	**248**	297
Utilities payable	**364**	289
Repair and maintenance payable	**450**	393
Other taxes payable	**4,858**	3,395
Long-term payables due to third parties	**566**	2,574
Others	**6,442**	4,660
	53,821	47,433
Total trade and other payables	**115,130**	107,169
Less: Non-current portion:		
Other payables	**(357)**	(855)
Current portion	**114,773**	106,314

Please refer to Note 46 for the Group's trade and other payables to related parties.

As at 31 December 2011, long-term payables due to third parties were secured, bore interests at rates ranging from 6.12% to 7.05% per annum and repayable between 1 and 2 years.

The carrying amounts of trade and other payables (excluding purchase deposits from customers) approximate their fair values.

24. TRADE AND OTHER PAYABLES *(Continued)*

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Trade payables	**770**	478
Other payables		
Purchase deposits from customers	**72**	160
Other taxes payable	**7**	(19)
Interest payable	**849**	451
Amounts due to subsidiaries	**9,989**	8,645
Others	**134**	70
	11,051	9,307
Total trade and other payables - current portion	**11,821**	9,785

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	
	2011	2010
	RMB 'million	*RMB 'million*
Within 1 year	**46,958**	47,145
1 year to 2 years	**9,060**	7,895
2 years to 3 years	**2,821**	3,030
Over 3 years	**2,470**	1,666
	61,309	59,736

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Within 1 year	**724**	438
1 year to 2 years	**40**	27
2 years to 3 years	**1**	5
Over 3 years	**5**	8
	770	478

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	
	2011	2010
	RMB 'million	*RMB 'million*
RMB	**110,854**	96,460
US dollar	**2,643**	6,845
Others	**1,633**	3,864
	115,130	107,169

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
RMB	**11,810**	9,771
US dollar	**4**	4
Others	**7**	10
	11,821	9,785

25. BORROWINGS

Group

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Non-current		
Long-term bank borrowings		
— Secured *(a)*	**6,200**	4,379
— Unsecured	**24,634**	23,552
	30,834	27,931
Other long-term borrowings		
— Secured *(a)*	**75**	—
— Unsecured	**212**	6,562
— Debentures *(b(i))*	**21,364**	18,182
	21,651	24,744
Total non-current borrowings	**52,485**	52,675
Current		
Short-term bank borrowings		
— Secured *(a)*	**2,824**	3,323
— Unsecured	**42,171**	18,995
	44,995	22,318
Other short-term borrowings		
— Secured *(a)*	**1,315**	—
— Unsecured	**5,200**	4,952
— Debentures *(b(ii))*	**17,000**	18,350
	23,515	23,302
Current portion of long-term bank borrowings		
— Secured *(a)*	**2,274**	717
— Unsecured	**7,292**	6,380
	9,566	7,097
Current portion of other long-term borrowings		
— Unsecured	**6,600**	532
	6,600	532
Total current borrowings	**84,676**	53,249
Total borrowings	**137,161**	105,924

25. BORROWINGS *(Continued)*

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Non-current		
Long-term bank borrowings		
— Unsecured	**5,278**	3,149
Other long-term borrowings		
— Debentures *(b(i))*	**18,244**	18,182
	18,244	18,182
Total non-current borrowings	**23,522**	21,331
Current		
Short-term bank borrowings		
— Unsecured	**14,568**	3,268
Other short-term borrowings		
— Unsecured *(c)*	**1,432**	850
— Debentures *(b(ii))*	**17,000**	18,400
	18,432	19,250
Current portion of long-term bank borrowings		
— Unsecured	**70**	2,263
Total current borrowings	**33,070**	24,781
Total borrowings	**56,592**	46,112

25. BORROWINGS *(Continued)*

(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).

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

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

MCC Holding (Hong Kong) Co., Ltd. issued US dollar debentures on 29 July 2011 at a discount to par value of US497 million, the aggregate principal amount is US500 million, with a maturity of five years from issuance. The debentures bear interests at a rate of 4.875% per annum. Interest will be paid every half year and principal will be paid upon maturity date. The debentures are guaranteed by the Parent.

(ii) As approved by the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Short-Term Debentures on 3 August 2011 at par value of RMB4,000 million, with a maturity of one year from issuance. The debentures are unsecured, and bear interests at a fixed rate of 5.71% per annum. Principal and interests are paid upon maturity date.

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

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

25. BORROWINGS *(Continued)*

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

Group

Lender	**As at 31 December**	
	2011	2010
	RMB 'million	*RMB 'million*
Other state-owned enterprises *(Defined in note 46)*	**8,151**	7,057
Third parties	**5,251**	4,989
	13,402	12,046

Company

Lender	**As at 31 December**	
	2011	2010
	RMB 'million	*RMB 'million*
Subsidiaries	**1,432**	**850**

(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	
	2011	2010
	RMB 'million	*RMB 'million*
6 months or less	**67,606**	45,428
6 to 12 months	**39,730**	34,800
1 year to 5 years	**15,672**	12,214
Over 5 years	**14,153**	13,482
	137,161	105,924

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
6 months or less	**1,440**	13,530
6 to 12 months	**31,560**	14,400
1 year to 5 years	**8,342**	4,700
Over 5 years	**15,250**	13,482
	56,592	46,112

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			
	2011		2010	
	Bank borrowings ***RMB 'million***	**Other borrowings** ***RMB 'million***	Bank borrowings *RMB 'million*	Other borrowings *RMB 'million*
Within 1 year	**54,561**	**30,115**	29,415	23,834
1 year to 2 years	**10,705**	**201**	10,198	5,350
2 years to 5 years	**13,591**	**7,889**	13,460	5,900
Wholly repayable within 5 years	**78,857**	**38,205**	53,073	35,084
Over 5 years	**6,538**	**13,561**	4,273	13,494
	85,395	**51,766**	57,346	48,578

Company

	As at 31 December			
	2011		2010	
	Bank borrowings ***RMB 'million***	**Other borrowings** ***RMB 'million***	Bank borrowings *RMB 'million*	Other borrowings *RMB 'million*
Within 1 year	**14,638**	**18,432**	2,381	22,400
1 year to 2 years	**2,687**	**—**	70	—
2 years to 5 years	**1,395**	**4,700**	6,393	—
Wholly repayable within 5 years	**18,720**	**23,132**	8,844	22,400
Over 5 years	**1,196**	**13,544**	1,386	13,482
	19,916	**36,676**	10,230	35,882

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	
	2011	2010
	RMB 'million	*RMB 'million*
RMB	**129,852**	100,125
US dollar	**6,360**	4,705
Singapore dollar	**859**	1,094
Others	**90**	—
	137,161	105,924

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
RMB	**55,624**	44,209
US dollar	**878**	1,903
Dinar	**90**	—
	56,592	46,112

25. BORROWINGS *(Continued)*

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

Group

	As at 31 December	
	2011	2010
Bank borrowings		
— RMB	**6.44%**	5.22%
— US dollar	**4.73%**	4.13%
— Singapore dollar	**2.21%**	2.13%
— Dinar	**4.50%**	—
Other borrowings		
— RMB	**9.49%**	4.19%

Company

	As at 31 December	
	2011	2010
Bank borrowings		
— RMB	**6.17%**	5.33%
— US dollar	**3.76%**	4.05%
— Dinar	**4.50%**	—
Other borrowings		
— RMB	**6.56%**	4.11%
— US dollar	**2.77%**	—

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

Group

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Fair value		
— Long-term bank borrowings	**30,836**	27,815
— Long-term other borrowings (excluding debentures)	**260**	6,101
— Debentures	**20,045**	17,462
	51,141	51,378

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: *(Continued)*

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	
	2011	2010
	RMB 'million	*RMB 'million*
Fair value		
— Long-term bank borrowings	**5,322**	3,149
— Debentures	**17,041**	17,462
	22,363	20,611

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

	Government grants relating to research and development expenditure	Government grants relating to property, plant and equipment	Subsidies relating to housing relocation and demolition	Others	Total
	RMB 'million	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*
At 1 January 2010	126	72	57	152	407
Additions	220	29	8	251	508
Decrease	(92)	(2)	(4)	(16)	(114)
At 31 December 2010	254	99	61	387	801
Additions	135	32	273	594	1,034
Decrease	(59)	(15)	(47)	(78)	(199)
At 31 December 2011	330	116	287	903	1,636

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	
	2011	2010
	RMB 'million	*RMB 'million*
Contributions to state-managed retirement plans	**1,525**	1,160

At the balance sheet date, the following amount had not been paid to the state-managed retirement plans:

Group

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Amount due to state-managed retirement plans included in trade and other payables	**190**	386

(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	
	2011	2010
	RMB 'million	*RMB 'million*
Present value of defined benefits obligations	**5,975**	5,895
Unrecognised actuarial gain	**62**	320
Liability arising from defined benefit obligations	**6,037**	6,215
Less: current portion	**(632)**	(603)
Non-current portion	**5,405**	5,612

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	
	2011	2010
	RMB 'million	*RMB 'million*
At beginning of year	**6,215**	6,606
For the year		
— Interest costs *(Note 33)*	**216**	231
— Payment	**(702)**	(628)
— Actuarial gains *(Note 33)*	**(14)**	(128)
— Past service cost *(Note 33)*	**322**	134
At end of year	**6,037**	6,215

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	
	2011	2010
Discount Rate	**3.50%**	4.00%

(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

	Lawsuits RMB 'million	Warranties RMB 'million	Rehabilitation RMB 'million	Guarantee RMB 'million	Others RMB 'million	Total RMB 'million
At 1 January 2010	44	15	—	—	—	59
Additions	50	1	—	—	—	51
Deductions	(41)	(14)	—	—	—	(55)
At 31 December 2010	53	2	—	—	—	55
Additions	—	9	36	30	6	81
Deductions	(53)	(4)	—	—	—	(57)
At 31 December 2011	—	7	36	30	6	79

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 tax 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	
	2011	2010
	RMB 'million	*RMB 'million*
Deferred income tax assets		
— Deferred tax assets to be recovered after more than 12 months	**2,096**	1,703
— Deferred tax assets to be recovered within 12 months	**496**	458
	2,592	2,161
Deferred income tax liabilities		
— Deferred tax liabilities to be recovered after more than 12 months	**(418)**	(362)
— Deferred tax liabilities to be recovered within 12 months	**(106)**	(183)
	(524)	(545)
Deferred income tax assets-net	**2,068**	1,616

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	
	2011	2010
	RMB 'million	*RMB 'million*
At beginning of year	**1,616**	1,220
Attributable to acquisition of subsidiaries *(Note 41)*	**3**	(96)
Credited to the consolidated income statement *(Note 36)*	**385**	313
Credited to equity	**43**	164
Exchange differences	**21**	15
At end of the year	**2,068**	1,616

(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

	Provision for impairment of assets	Provision for retirement and other supplemental benefit obligations	Deductible tax loss	Unrealised profit on inter-company transactions	Employee benefit plan	Others	Total
	RMB 'million	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*
Deferred tax assets							
At 1 January 2010	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
Credited/(charged) to the consolidated income statement	258	(12)	97	19	21	45	428
Attributable to acquisition of subsidiaries *(Note 41)*	3	—	—	—	—	—	3
At 31 December 2011	1,121	634	126	246	246	219	2,592

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

	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 2010	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 *(Note 41)*	—	96	—	96
At 31 December 2010	108	380	57	545
(Credited)/Charged to the consolidated income statement	—	(24)	67	43
(Credited)/charged directly to equity	(43)	4	(4)	(43)
Exchange differences	—	(21)	—	(21)
At 31 December 2011	65	339	120	524

The deferred income tax credited to equity during the year is as follows:

Group

	Year ended 31 December 2011 *RMB 'million*	2010 *RMB 'million*
Fair value reserves in equity:		
— Available-for-sale financial assets	**(43)**	(1)

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 2011, the Group did not recognise deferred tax assets of RMB2,372 million (2010: RMB1,443 million) in respect of tax losses amounting to RMB9,488 million (2010: RMB5,772 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	
	2011	2010
	RMB 'million	*RMB 'million*
Dividend income from available-for-sale financial assets *(a)*	**73**	69
Dividend income from financial assets at fair value through profit or loss *(a)*	**1**	—
Income from liabilities forgiven	**62**	25
Insurance reimbursement	**2**	3
Rental income	**337**	171
Government grants *(b)*	**741**	580
Others	**184**	264
	1,400	1,112

(a) Dividend income from listed investments for the year ended 31 December 2011 was RMB3 million (2010: RMB8 million), and dividend income from unlisted investments was RMB71 million (2010: RMB61 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 GAINS/(LOSSES) - NET

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Financial assets at fair value through profit or loss *(Note 17)*:		
Fair value gains	**1**	—
Net foreign exchange losses *(Note 35)*	**(387)**	(215)
Gain on disposal of subsidiaries *(Note 42)*	**765**	56
Gain on disposal of property, plant and equipment	**5**	10
Gain on disposal of financial assets at fair value through profit or loss	**5**	4
Gain on disposal of held-to-maturity financial assets	**22**	6
Gain on disposal of available-for-sale financial assets	**204**	97
Impairment loss for available-for-sale financial assets	**(13)**	(2)
Others	**19**	23
	621	(21)

32. EXPENSES BY NATURE

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Raw materials, purchased equipment and consumables used	**94,498**	92,790
Changes in inventories of finished goods and work-in-progress	**(15,079)**	(23,563)
Subcontracting charges	**98,827**	89,922
Employee benefits *(Note 33)*	**15,537**	13,188
Depreciation of property, plant and equipment *(Note 6)*	**2,209**	1,723
Fuel and heating expenditure	**1,208**	716
Business tax and other transaction taxes	**6,044**	5,666
Travelling expenses	**1,686**	1,382
Office expenses	**2,012**	1,781
Transportation costs	**882**	796
Operating lease rentals	**4,935**	4,443
Research and development costs	**2,243**	1,794
Repairs and maintenance	**1,177**	1,045
Advertising expenditure	**489**	348
Foreseeable losses on construction contracts	**120**	65
Amortisation of land use rights *(Note 7)*	**183**	177
Amortisation of mining rights *(Note 8)*	**81**	39
Amortisation of intangible assets (Note 10)	**109**	119
Depreciation of investment properties *(Note 9)*	**41**	35
Provision for impairment of trade and other receivables *(Note 16)*	**1,044**	932
Provision for impairment of inventories *(Note 19)*	**314**	158
Provision for impairment of property, plant and equipment *(Note 6)*	**70**	15
Provision for impairment of goodwill *(Note 10)*	**42**	227
Provision for impairment of land use rights *(Note 7)*	**40**	—
Insurance expenditure	**119**	122
Bank charges relating to operating activities	**417**	220
Professional and technical consulting fees	**707**	657
Auditors' remuneration	**57**	51
Others	**2,230**	2,006
Total cost of sales, selling and marketing expenses and administrative expenses	**222,242**	196,854

33. EMPLOYEE BENEFITS

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Salaries, wages and bonuses, including restructuring costs and other termination benefits	**10,874**	9,555
Contributions to pension plans *(a)*	**1,525**	1,160
Early retirement and supplemental pension benefits *(Note 27 and b)*		
— interest cost	**216**	231
— actuarial gains	**(14)**	(128)
— past service cost	**322**	134
Housing benefits *(c)*	**527**	420
Welfare, medical and other expenses	**2,087**	1,816
	15,537	13,188

(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	
	2011	2010
	RMB 'million	*RMB 'million*
Interest expense		
— Bank borrowings wholly repayable within 5 years	**5,084**	3,667
— Bank borrowings repayable over 5 years	**1,230**	663
— Other borrowings	**578**	275
	6,892	4,605
Less: Amounts capitalised in construction-in-progress *(a)*	**(407)**	(495)
Less: Amounts capitalised in properties under development *(b)*	**(2,399)**	(1,326)
	4,086	2,784
Net foreign exchange gains on borrowings *(Note 35)*	**(32)**	(77)
Discount charges on bank acceptance notes	**274**	169
Finance costs	**4,328**	2,876
Interest income on bank deposits	**(1,631)**	(717)
Interest income on held-to-maturity financial assets	**—**	(1)
Interest income on loans to related parties	**(7)**	(75)
Gain from debt restructuring	**(5)**	(55)
Others	**—**	(1)
Finance income	**(1,643)**	(849)
Finance costs, net	**2,685**	2,027

(a) Interest expenses were capitalised as construction-in-progress at the rate of 3.05% (2010: 4.90%) per annum for the year ended 31 December 2011.

(b) Interest expenses were capitalised as properties under development at the rate of 6.68% (2010: 5.33%) per annum for the year ended 31 December 2011.

35. NET FOREIGN EXCHANGE LOSSES

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

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Other gains - net *(Note 31)*	**387**	215
Net finance costs *(Note 34)*	**(32)**	(77)
	355	138

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	
	2011	2010
	RMB 'million	*RMB 'million*
Current income tax:		
— PRC enterprise income tax	**2,810**	2,421
— Overseas taxation	**16**	10
	2,826	2,431
Deferred income tax *(Note 29)*	**(385)**	(313)
PRC land appreciation tax *(d)*	**530**	854
	2,971	2,972

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	
	2011	2010
	RMB 'million	*RMB 'million*
Profit before income tax	**6,683**	8,543
Tax calculated at the statutory tax rate of 25%	**1,671**	2,136
Effect of difference between applicable tax rate and statutory tax rate to Group companies	**(488)**	(480)
Tax losses and other temporary differences for which no deferred income tax asset was recognised and reversal of deferred income tax assets on tax losses recognised before	**1,340**	817
Income not subject to taxation	**(56)**	(54)
Expense not deductible for tax purpose	**286**	155
Additional tax relief	**(168)**	(151)
Utilisation of previously unrecognised tax losses and other temporary differences	**(20)**	(97)
Effect of higher tax rate for the appreciation of land in the PRC	**398**	641
Others	**8**	5
Income tax expense	**2,971**	2,972

(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.

36. TAXATION *(Continued)*

(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.

On 16 November 2011, as approved by the State Council, State Administration of Taxation of The People's Republic of China issued the Cai Shui [2011] No.111 "Notice on the pilot transform from business tax to VAT in Shanghai communication and transportation industry and new services industry". According to this Notice, enterprises and individuals, who provide communication and transportation services and some of new services within the territory of the People's Republic of China, are VAT taxpayers. For taxpayers providing such taxable services, VAT should be paid in accordance with this notice and no business tax should be paid any more. Besides the current standard VAT tax rate 17% and low VAT tax rate 13%, two more levels of tax rate, 11% and 6% are introduced. This Notice will be effective on 1 January 2012.

(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	
	2011	2010
	RMB 'thousand	*RMB 'thousand*
Directors and supervisors		
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,700**	2,305
— Contributions to pension plans	**180**	165
— Discretionary bonuses	**2,008**	2,555
	4,888	5,025

37. DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(a) Directors' and supervisors' emoluments *(Continued)*

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

(i) For the year ended 31 December 2011:

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	259	—	—	259
— Mr. Wang Weimin	318	30	365	713
— Mr. Shen Heting	318	30	365	713
— Mr. Guo Wenqing	288	30	328	646
— Mr. Jiang Longsheng	177	—	—	177
— Mr. Wen Keqin	168	—	—	168
— Mr. Liu Li	185	—	—	185
— Mr. Chen Yongkuan	142	—	—	142
— Mr. Cheung Yukming	146	—	—	146
Supervisors				
— Mr. Han Changlin	288	30	328	646
— Mr. Peng Haiqing	178	30	305	513
— Mr. Shao Jinhui*	—	—	—	—
— Mr. Shao Bo*	233	30	317	580
	2,700	180	2,008	4,888

* Mr. Shao Jinhui retired on 18 January 2011 and Mr. Shaobo was appointed on 18 January 2011.

37. DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(a) Directors' and supervisors' emoluments *(Continued)*

(ii) 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)*

(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	
	2011	2010
	RMB 'thousand	*RMB 'thousand*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**771**	1,661
Contributions to pension plans	**150**	168
Discretionary bonuses	**8,780**	11,305
	9,701	13,134

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

	Number of individuals Year ended 31 December	
	2011	2010
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	—
HK$1,500,001 to HK$2,000,000	**1**	—
HK$2,000,001 to HK$2,500,000	**2**	—
HK$2,500,001 to HK$3,000,000	**2**	3
HK$3,000,001 to HK$3,500,000	**—**	1
HK$3,500,001 to HK$4,000,000	**—**	—
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 2011 and 2010 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	
	2011	2010
	RMB 'million	*RMB 'million*
Profit attributable to equity holders of the Company	**4,243**	5,321
Weighted average number of ordinary shares in issue *(million)*	**19,110**	19,110
Basic earnings per share *(RMB)*	**0.22**	0.28

(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

No dividend for the year ended 2011 was declared by the Board of Directors.

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

40. CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Profit for the year	**3,712**	5,571
Adjustments for:		
— Income tax expense	**2,971**	2,972
— Share of profit from associates	**(56)**	(134)
— Fair value gains on financial assets at fair value through profit or loss	**(1)**	—
— Gains on disposal of subsidiaries	**(765)**	(56)
— Gains on liquidation of subsidiaries	**—**	(5)
— Gains on disposal of available-for-sale financial asset	**(204)**	(97)
— Gains on disposal of held-to-maturity financial asset	**(22)**	(6)
— Net gains on disposal of property, plant and equipment	**(5)**	(10)
— Dividends income on available-for-sale financial assets	**(73)**	(69)
— Dividends income on financial assets at fair value through profit or loss	**(1)**	—
— Provision for impairment of available-for-sale financial assets	**13**	2
— Gains on debt restructuring	**(5)**	(55)
— Interest income	**(1,638)**	(794)
— Interest expense	**4,360**	2,953
— Net foreign exchange gains on borrowings	**(32)**	(77)
— Exchange losses on cash and cash equivalents	**64**	160
— Provision for impairment of trade and other receivables	**1,044**	932
— Provision for impairment of inventories	**314**	158
— Provision for impairment of investment in associates	**—**	8
— Provision for impairment of goodwill	**42**	227
— Provision for impairment of land use rights	**40**	—
— Provision for impairment of properties, plant and equipment	**70**	15
— Provision for impairment of other assets	**5**	14
— Depreciation of property, plant and equipment	**2,209**	1,723
— Depreciation of investment properties	**41**	35
— Amortisation of land use rights	**183**	177
— Amortisation of intangible assets	**109**	119
— Amortisation of mining rights	**81**	39
— Amortisation of government grants	**(206)**	(116)
— Amortisation of other non-current assets	**41**	25
— Foreseeable losses on construction contracts	**120**	65
— Income from liabilities forgiven	**(62)**	(25)
— Other exchange losses	**323**	55
Cash flows from operating activities before changes in working capital	**12,672**	13,806

40. CASH GENERATED FROM OPERATIONS *(Continued)*

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Inventories, property under development and completed properties held for sale	**(13,964)**	(22,597)
— Trade and other receivables	**(14,058)**	(22,028)
— Contract work-in-progress	**(3,520)**	(5,612)
— Early retirement and other supplemental benefit obligations	**(178)**	(391)
— Trade and other payables	**9,963**	14,381
— Provisions	**24**	(4)
— Financial assets at fair value through profit or loss	**(351)**	301
— Government grants	**9**	13
Cash used in operations	**(9,403)**	(22,131)

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 2011

For the year ended 31 December 2011, the Group acquired equity interests in the following companies:

Company name	**Acquisition date**	**Percentage of equity interests acquired**	**Purchase consideration**
			RMB 'million
Shanghai Xuanxiang Real Estate Co., Ltd.	1 January 2011	100%	10
Chengde Tiangong Construction & Engineering Co., Ltd.	20 May 2011	100%	37
Design & Research institute of Wuhan Iron&Steel Group Co., Ltd.	31 December 2011	100%	117
			164

41. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) For the year ended 31 December 2011 *(Continued)*

	RMB 'million
Cash consideration	47
Fair value of the shares of subsidiary issued to previous shareholder	117
	164

	RMB 'million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	47
Property, plant and equipment	22
Amounts due from customers for contract work	52
Properties under development	58
Land use rights	41
Intangible assets	1
Deferred income tax assets	3
Trade and other receivables	289
Trade and other payables	(382)
Total identifiable net assets	131
Goodwill	33
	164

The goodwill of RMB33 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)*

(a) For the year ended 31 December 2011 *(Continued)*

(i) Revenue and profit contribution

The acquired businesses contributed revenue of RMB98 million and net profit of RMB11 million to the Group for the period from the respective acquisition dates to 31 December 2011.

If the acquisitions had occurred on 1 January 2011, the Group's revenue and net profit for the year ended 31 December 2011 would have been RMB230,232 million and RMB3,719 million respectively. 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 2011, together with the consequential tax effects.

(ii) Acquired receivables

The fair value of trade and other receivables is RMB289 million and includes trade receivables with a fair value of RMB199 million. The gross contractual amount for trade receivables due is RMB211 million, of which RMB12 million is expected to be uncollectible.

(b) 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	Purchase 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

	RMB 'million
Cash consideration	27
Fair value of trade receivables held before the business combination	387
	414

41. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) For the year ended 31 December 2010 *(Continued)*

	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.

(i) Revenue and profit contribution

The acquired businesses contributed revenue of RMB33 million and net 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 and net profit for the year ended 31 December 2010 would have been RMB206,397 million and RMB5,569 million respectively. 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.

42. DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 December 2011

For the year ended 31 December 2011, the Group disposed equity interests in the following companies:

Company name	Disposal date	Percentage of equity interests disposed	Sales Proceeds
			RMB 'million
Anhui Huaye Mining Co., Ltd.	30 September 2011	70%	2
Sichuan Nonggeshan Polymetallic Mining Co., Ltd.	31 October 2011	51%	72
Tanghai Shengwei Real Estate Co., Ltd.	30 November 2011	100%	9
Nanjing Yangtze River International Shipping Center Development and Construction Co., Ltd. *(i)*	1 December 2011	100%	715
China Metallurgy Five (Kuntai) Suzhou Property Development Company Limited	31 December 2011	51%	88
Yichang Heavy-duty Engineering Machinery Co., Ltd.	31 December 2011	50%	3
Shanghai MCC Baosteel Qicheng Gas Co., Ltd.	31 December 2011	51%	1
			890

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

	RMB 'million
Sales proceeds:	
Cash received	861
Consideration receivables	29
Fair value of the remaining 40% share of Yichang Heavy-duty Engineering Machinery Co., Ltd. on disposal date	11
Less: Net assets disposed - as shown below	(239)
Non-controlling interests	103
Gain on disposal	765

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) For the year ended 31 December 2011 *(Continued)*

The effect of the disposal is as follows:

	RMB 'million
Cash and cash equivalents	67
Property, plant and equipment	75
Inventories	40
Properties under development	1,462
Mining rights	50
Trade and other receivables	64
Trade and other payables	(1,519)
Net assets	239
Non-controlling interests	(103)
Net assets disposed	136
Sales proceeds - cash received	861
Less: Cash and cash equivalents of subsidiaries disposed	(67)
Net cash inflow on disposal of subsidiaries	794

The effect of the disposal to consolidated income statement is as follows:

	RMB 'million
Revenue	229
Expense	(211)
Profit before tax	18
Income tax expense	(7)
Profit for the year	11
Attributable to:	
— Owners of the company	5
— Non-controlling interests	6
	11

(i) A subsidiary of the Group disposed its 100% owned subsidiary on 1 December 2011 with gain on disposal of RMB695 million. The assets of the disposed subsidiary on disposal date mainly are land use rights recognised in properties under development.

42. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 December 2010

For the year ended 31 December 2010, the Group disposed 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

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

43. FINANCIAL GUARANTEE

The nominal values of the financial guarantees issued by the Group and the Company as at 31 December 2011 are analysed as below:

Group

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Outstanding guarantees *(i)*		
— Third parties	**234**	288
— Related parties	**11**	100
	245	388

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Outstanding guarantees *(ii)*		
— Subsidiaries	**13,026**	20,885

(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.

(iii) The Group considers that 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	
	2011	2010
	RMB 'million	*RMB 'million*
Pending lawsuits/arbitrations	**706**	318

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 management believes the outflow of resources is not probable.

45. COMMITMENTS

(a) Capital commitments

Group

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Contracted but not yet incurred		
— Property, plant and equipment	**26,691**	29,294
— Land use rights	**4,787**	10,017
— Mining rights	**4,603**	4,945
— Intangible assets	**299**	805
Total	**36,380**	45,061

(b) Operating leasing commitments

Group

The Group leases various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Less than 1 year	**54**	30
1 year to 5 years	**12**	58
Over 5 years	**21**	23
Total	**87**	111

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").

46. RELATED PARTY DISCLOSURES *(Continued)*

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, 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 2011 arising from these related party transactions.

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

(a) Significant related party transactions

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

With Parent and fellow subsidiaries

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Sales of goods or provision of services	**133**	2,927
Purchases of goods or services	**167**	193
Rental expense	**57**	53
	US dollar 'million	*US dollar 'million*
Guarantees provided by Parent	**500**	—

With associates

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Sales of goods or provision of services	**95**	132
Purchases of goods or services	**42**	54
Loans to associates	**133**	—
Guarantees provided to associates	**11**	100
Interest income	**100**	105

46. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties

(i) Trade and other receivable

Group

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Trade receivables due from		
— Parent and fellow subsidiaries	**130**	576
— Associates	**20**	10
Less: provision for impairment	**—**	—
	150	586
Other receivables due from		
— Parent and fellow subsidiaries	**1**	30
— Associates	**1,172**	1,095
Less: provision for impairment	**(4)**	(3)
	1,169	1,122
	1,319	1,708

As at 31 December 2011, loans to associates of RMB811 million (2010: RMB811 million) included in other receivables due from associates bear interests at rates ranging from 6.31% to 12% (2010: 5.29% to 8.25%) per annum and with loan periods due within 1 year. Loans to associates are unsecured.

Other than loans to associates, other receivables due from Parent and fellow subsidiaries, associates are unsecured, interest free and have no fixed term of repayment.

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Trade receivables due from subsidiaries	**906**	381
Other receivables due from subsidiaries	**47,706**	37,502
	48,612	37,883

46. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties *(Continued)*

(i) Trade and other receivable (Continued)

Company *(Continued)*

As at 31 December 2011, loans to subsidiaries of RMB36,466 million (2010:RMB36,531 million) included in other receivables due from subsidiaries bear interests at rates ranging from 2.34% to 7.54% (2010: 3.15% to 7.47%) per annum and with loan periods that range from 1 year to 8 years.

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

(ii) Trade and other payable

Group

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Trade payables due to		
— Parent and fellow subsidiaries	**44**	27
— Associates	**23**	17
	67	44
Other payables due to		
— Parent and fellow subsidiaries	**30**	122
— Associates	**5**	5
	35	127
	102	171

46. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties *(Continued)*

(ii) Trade and other payable (Continued)

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

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Trade payables due to subsidiaries	**588**	376
Other payables due to subsidiaries	**9,989**	8,645
	10,577	9,021

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

(iii) Borrowings

Company

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
— Subsidiaries	**1,432**	850

The Company's borrowings from subsidiaries as at 31 December 2011 are unsecured, bear interest at 6.56% (2010: 4.78%) per annum and repayable in December 2012 (2010: December 2011).

46. RELATED PARTY DISCLOSURES *(Continued)*

(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	
	2011	2010
	RMB 'thousand	*RMB 'thousand*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**4,348**	3,391
Contributions to pension plans	**360**	305
Discretionary bonuses	**3,778**	4,609
	8,486	8,305

(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 that are 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 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 2011, 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	Attributable equity interest 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 Co., Ltd.,	PRC	Limited liability company	RMB366	100%	—	Design, research, engineering and construction/PRC
China Enfi Engineering Co., Ltd.	PRC	Limited liability company	RMB1,481	100%	—	Design, engineering, procurement and construction(the "EPC")/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
CISDI Group Co., Ltd.	PRC	Limited liability company	RMB1,600	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
Anshan Coking and Refractory Engineering Consulting Corporation	PRC	Limited liability company	RMB69	100%	—	Design and services/PRC
Anshan Engineering & Research Incorporation of Metallurgical Industry	PRC	Limited liability company	RMB97	100%	—	Design and services/PRC
Changsha Metallurgical Design & Research Institute Co., Ltd.	PRC	Limited liability company	RMB167	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	Attributable equity interest Indirectly held	Principal activities and place of operation
Non-listed companies —						
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 MCC 19 Group Co., Ltd.	PRC	Limited liability company	RMB1,619	100%	—	Engineering and construction/PRC
China 22MCC Group Corporation Limited	PRC	Limited liability company	RMB1,156	100%	—	Engineering and construction/PRC
China Huaye Group Co., Ltd.	PRC	Limited liability company	RMB607	100%	—	Engineering and construction/PRC
MCC TianGong Group Corporation Limited	PRC	Limited liability company	RMB825	99%	—	Engineering and construction/PRC
CCTEC Engineering Co., Ltd.	PRC	Joint stock company	RMB121	100%	—	EPC/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	87%	—	EPC/PRC
WISDRI Engineering & Research Incorporation Limited	PRC	Limited liability company	RMB1,628	81%	—	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	98%	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

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 —						
MCC Xiangxi Mining Co., Ltd.	PRC	Limited liability company	RMB60	50%	—	Resource development/PRC
MCC (GuangXi) Mawu expressway construction & development Co., Ltd.	PRC	Limited liability company	RMB6,135	100%	—	Infrastructure investment/PRC
China Metallurgical Construction Engineering Group Co., Ltd.	PRC	Limited liability company	RMB852	100%	—	Engineering and construction/PRC
Shen Kan Engineering & Technology Corporation, MCC	PRC	Limited liability company	RMB23	100%	—	EPC/PRC
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	RMB1,530	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%	22%	Maintenance services/PRC
MCC Real Estate Group Co., Ltd.	PRC	Limited liability company	RMB2,141	100%	—	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	100%	—	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
MCC-SFRE Heavy Industry Equipment Co., Ltd.	PRC	Limited liability company	RMB1,286	71%	—	"Metallurgy specialized equipment manufacture/PRC
MCC Seawater Desalination Investment Co., Ltd.	PRC	Joint stock company	RMB50	100%	—	Investment and asset management/PRC
MCC Holding (Hong Kong) Co., Ltd.	PRC	Joint stock company	USD1	100%	—	Others/PRC

(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 2011, 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	Attributable equity interest Indirectly held	Principal activities and place of operation
Tianjin SERI Machinery Equipment Corporation Ltd.	PRC	Limited liability company	RMB210	50%	—	Equipment fabrication /PRC
Nanjing Ming's Culture Co., Ltd.	PRC	Limited liability company	RMB610	49%	—	Culture/PRC
Beijing New Century Hotel Co., Ltd.	PRC	Limited liability company	RMB72	60%	—	Hotel Services/PRC
MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	PRC	Limited liability company	RMB250	51%	—	Equipment fabrication /PRC
Shanghai MCC Shinton Investment Co., Ltd.	PRC	Limited liability company	RMB300	33%	—	Investment 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 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. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2012.

Other Financial Information

FINANCIAL HIGHLIGHTS PREPARED UNDER IFRS

Consolidated Operating Results

	2011	2010	2009	2008	2007
			(As restated)		
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
Revenue	**229,721**	206,397	165,495	157,887	125,056
Cost of sales	**(208,567)**	(185,635)	(149,686)	(145,595)	(112,085)
Gross profit	**21,154**	20,762	15,809	12,292	12,971
Selling and marketing expenses	**(1,836)**	(1,530)	(1,043)	(928)	(709)
Administrative expenses	**(11,839)**	(9,689)	(7,202)	(6,566)	(5,786)
Other income	**1,400**	1,112	955	1,064	587
Other gains/(losses) — net	**621**	(21)	39	525	1,390
Other expenses	**(188)**	(198)	(140)	(85)	(98)
Operating profit	**9,312**	10,436	8,418	6,302	8,355
Finance income	**1,643**	849	806	548	382
Finance costs	**(4,328)**	(2,876)	(2,621)	(3,005)	1,317
Share of profits of associates	**56**	134	85	120	70
Profit before income tax	**6,683**	8,543	6,688	3,965	7,490
Income tax expense	**(2,971)**	(2,972)	(1,500)	(840)	1,698
Profit for the year	**3,712**	5,571	5,188	3,125	5,792
Attributable to:					
Equity holders of the Company	**4,243**	5,321	4,425	3,150	3,855
Non-controlling interests	**(531)**	250	763	(25)	1,937
Earnings per share for profit attributable to the equity holders of the Company					
— Basic earnings per share *(RMB)*	**0.22**	0.28	0.30	0.24	0.30
— Diluted earnings per share *(RMB)*	**0.22**	0.28	0.30	0.24	0.30
Dividends	**—**	898	1,875	256	34

The consolidated total assets and total liabilities of the Company as at 31 December 2007, 2008, 2009, 2010 and 2011 are summarised as below:

	2011	2010	2009 (As restated)	2008	2007
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
Total assets	**332,031**	288,221	231,841	170,918	140,723
Total liabilities	**273,856**	234,709	185,765	163,290	134,248
Net assets	**58,175**	53,512	46,076	7,628	6,475

Definitions and Glossary of Technical Terms

DEFINITIONS

2010 AGM	the 2010 annual general meeting of the Company held on 17 June 2011
2011 AGM	the annual general meeting of the Company to be held on 15 June 2012
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
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
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	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 were engaged in and which were subsequently assumed by it pursuant to the Parent Reorganization
NDRC	the National Development and Reform Commission of the People's Republic of China
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
Pansteel	Pansteel Group Corporation and, except where the context otherwise requires, all of its associates
PRC GAAP	the PRC Accounting Standard and Accounting Regulation for Business Enterprises and its supplementary regulations
MCC Group, parent	China Metallurgical Group Corporation
Parent Group	China Metallurgical Group Corporation and its subsidiaries (except MCC)
Renminbi or RMB	Renminbi, the lawful currency of the PRC
Reporting Period	from 1 January 2011 to 31 December 2011
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(s)	holder(s) of share(s) of the Company
State Council	the State Council of the People's Republic of China
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of the Metallurgical Corporation of China Ltd.*
Wusteel	Wuhan Iron and Steel (Group) Corp., Ltd. and (unless otherwise stated) its associates
US$ or U.S. dollars	United States dollars, the lawful currency of the United States

GLOSSARY

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
LME	the London Metal Exchange
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
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
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
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)
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
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 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

* *For identification only.*

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