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

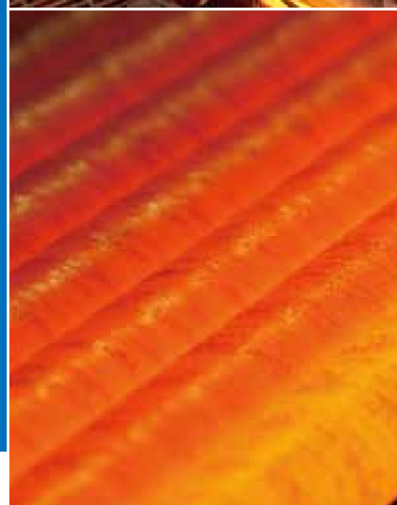
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 1618

2012
ANNUAL REPORT

* *For identification purpose only*

MCC

Contents



PRESIDENT'S STATEMENT

Shen Heting
President and
Executive Director

PRESIDENT'S STATEMENT

The past year of 2012 is destined to leave its mark in history. The adverse impacts of the financial crisis around the world and the sluggish economic development in the PRC imposed huge pressure and challenges on MCC. In the meantime, as a result of several separate events, a great loss was incurred. On behalf of management of MCC, I would like to express my apology to you for the operating results in 2012.

Notwithstanding the unfavourable conditions in 2012, MCC took the initiative. Revolving around the corporate strategy of "focus on building the scale and strength of principal businesses, whilst diversify the operation moderately to achieve a sound development", the Company adjusted its operation strategy and innovated its marketing modes, with a view to not merely cementing its leading presence in the metallurgy market but also penetrating new markets. It also carried out in-depth system reform within its corporate structure, in a bid to promote the upgrade and refining of management. Although the losses of several enterprises and projects impaired some indicators, including profit, the fundamental factors of the Company still remains competitive, breeding the opportunities and hope for its future development.

The value of newly signed contracts of MCC totaled RMB265,533 million for 2012 and its revenue amounted to RMB216,242 million. The Parent, which holds MCC as its core asset, moved up 17 places from 297th last year to the 280th among the most recently published Fortune Global 500 companies and ranked 9th among the ENR international contractors. In addition, it was also awarded 6 National Science and Technology Advancement Awards (國家科技進步獎), 4 "Lu Ban Awards" for China's construction engineering (中國建設工程魯班獎) and 10 silver prizes in the National Quality Construction Awards (國家優質工程銀獎).

MCC performed its social responsibility as a central state-owned enterprise as well as a listed company. It enhanced cooperation with government authorities to construct welfare housing for people in need. On the other hand, MCC performed impressively in the fields of environmental protection such as waste-to-energy incineration, photovoltaics, sea water desalination and sewage treatment, contributing to the sustainable development of the PRC.

In future, MCC will focus on quality and efficiency. It will also deepen the reform, adjust the structure, strengthen the innovation, enhance the management, and step up efforts to address the contradictions and problems that hinder its corporate development, so as to elevate its corporate development to a new stage.

For all the Shareholders and friends who have been supporting MCC along the way, I believe the difficulties encountered are only temporary. Our confidence, unity, diligence and uncompromising morale to strive for excellence are bound to create a brighter future for MCC.

CORPORATE INFORMATION

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*

CORPORATE INFORMATION

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	King & Wood Mallesons
Office address of the Hong Kong legal advisor	9th Floor, Hutchison House 10 Harcourt Road, 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 Stock Exchange of Hong Kong Limited on 21 September 2009 and 24 September 2009 respectively.

The Company is a large conglomerate operating in various specialised 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 industrialisation 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 280th among the 2012 Fortune Global 500 companies.

Currently, 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 and Hang Seng Global Composite Index.

As at 31 December 2012, the Company has 55 principal wholly-owned or non-wholly owned subsidiaries (二級全資及控股子公司) both in the PRC and abroad, which are detailed as follows:

Central Research Institute of Building and Construction Co., Ltd., MCC Group	MCC Baosteel Technology Services Co., Ltd.
Beijing MCC Equipment Research & Design Corporation Ltd.	MCC Hi-Tech Engineering Co., Ltd.
Wuhan Research Institute of Metallurgical Construction, Co., Ltd.	MCC Communication Engineering Technology Co., Ltd.
China Enfi Engineering Co., Ltd.	MCC Mining (Western Australia) Pty Ltd.
MCC Capital Engineering & Research Incorporation Limited	MCC Tongsin Resources Ltd.
CISDI Group Corp. Ltd. (中冶賽迪集團有限公司)	MCC Australia Holding Pty Ltd.
WISDRI Engineering & Research Incorporation Limited	MCC Minera Sierra Grande S.A
Huatian Engineering & Technology Corporation, MCC	MCC-JJJ Mining Development Company Limited
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	Ramu NiCo Management (MCC) Limited
Zhong Ye Chang Tian International Engineering Co., Ltd.	MCC Xiangxi Mining Co., Ltd.
Beris Group Corporation	MCC Real Estate Group Co., Ltd.
Northern Engineering & Technology Corporation, MCC	MCC Finance Corporation Ltd.

COMPANY PROFILE

CCTEC Engineering Co., Ltd.

Shen Kan Engineering & Technology Corporation, MCC

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

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

China First Metallurgical Group Co., Ltd.

China Second Metallurgical Group Corporation Limited

China MCC 3 Group Co., Ltd.

China MCC 5 Group Co., Ltd.

MCC TianGong Group Corporation Limited

China MCC 17 Group Co., Ltd.

China Metallurgical Construction 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 International Engineering Technology 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

FINANCIAL HIGHLIGHTS

1. OVERVIEW

The Company's financial position as at 31 December 2012 and the operating results for the year ended 31 December 2012 are highlighted as follows:

- Revenue amounted to RMB216,242 million, representing a year-on-year decrease of RMB5,871 million or 2.64% from RMB222,113 million in 2011.

- Loss of the year amounted to RMB10,455 million, of which loss from continuing operations amounted to RMB1,133 million. While the profit for 2011 amounted to RMB3,712 million, of which profit from continuing operations amounted to RMB5,897 million.

- Loss attributable to equity holders of the Company amounted to RMB6,952 million, of which loss from continuing operations attributable to equity holders of the Company amounted to RMB1,574 million. Profit attributable to equity holders of the Company for 2011 amounted to RMB4,243 million, of which profit from continuing operations attributable to equity holders of the Company amounted to RMB 4,907 million.

- Basic loss per share amounted to RMB0.36, of which basic loss per share from continuing operations amounted to RMB0.08. Basic earnings per share for 2011 amounted to RMB0.22, of which basic earnings per share incurred from continuing operations amounted to RMB0.26.

- As at 31 December 2012, total assets amounted to RMB326,235 million, representing a decrease of RMB5,796 million or 1.75% from RMB332,031 million as at 31 December 2011.

- As at 31 December 2012, total equity amounted to RMB52,802 million, representing a decrease of RMB5,373 million or 9.24% from RMB58,175 million as at 31 December 2011.

- Value of newly-signed contracts amounted to RMB265,533 million, representing a year-on-year decrease of RMB21,125 million or 7.37% from RMB286,658 million in 2011.

FINANCIAL HIGHLIGHTS

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 RMB174,993 million, representing a decrease of RMB5,653 million or 3.13% from RMB180,646 million in 2011.

- **Equipment manufacturing business**

  Segment revenue amounted to RMB11,307 million, representing a decrease of RMB2,924 million or 20.55% from RMB14,231 million in 2011.

- **Resources development business**

  Segment revenue amounted to RMB2,778 million, representing a decrease of RMB2,288 million or 45.16% from RMB5,066 million in 2011.

- **Property development business**

  Segment revenue amounted to RMB25,226 million, representing an increase of RMB4,509 million or 21.76% from RMB20,717 million in 2011.

- **Other businesses**

  Segment revenue amounted to RMB5,276 million, representing a decrease of RMB773 million or 12.78% from RMB6,049 million in 2011.

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

FINANCIAL HIGHLIGHTS

3. SUMMARY OF FINANCIAL STATEMENTS

Summary of financial statements prepared in accordance with IFRS

Consolidated Income Statement

	Year ended 31 December 2012 RMB million	2011 RMB million Restated
Continuing operations		
Revenue	**216,242**	222,113
Cost of sales	**(200,202)**	(200,497)
Gross profit	**16,040**	21,616
Selling and marketing expenses	**(1,622)**	(1,792)
Administrative expenses	**(11,116)**	(11,076)
Other income	**1,041**	1,347
Other gains-net	**480**	791
Other expenses	**(117)**	(158)
Operating profit	**4,706**	10,728
Finance income	**1,828**	1,623
Finance costs	**(4,695)**	(3,527)
Share of profits of associates	**16**	56
Profit before income tax	**1,855**	8,880
Income tax expense	**(2,988)**	(2,983)
(Loss)/ profit for the year from continuing operations	**(1,133)**	5,897
Discontinued operations		
Loss for the year from discontinued operations	**(9,322)**	(2,185)
(Loss)/Profit for the year	**(10,455)**	3,712
(Loss)/profit attributable to:		
Equity holders of the Company	**(6,952)**	4,243
Non-controlling interests	**(3,503)**	(531)
	(10,455)	3,712

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2012	2011
	RMB million	*RMB million*
		Restated
(Loss)/profit attributable to equity holders of the Company arising from:		
Continuing operations	**(1,574)**	4,907
Discontinued operations	**(5,378)**	(664)
	(6,952)	4,243

	Year ended 31 December	
	2012	2011
	RMB	*RMB*
		Restated
(Loss)/earnings per share from continuing operations and discontinued operations attributable to equity holders of the Company during the year		
Basic (loss)/earnings per share		
From continuing operations	**(0.08)**	0.26
From discontinued operations	**(0.28)**	(0.04)
(Loss)/profit for the year	**(0.36)**	0.22
Diluted (loss)/earnings per share		
From continuing operations	**(0.08)**	0.26
From discontinued operations	**(0.28)**	(0.04)
(Loss)/profit for the year	**(0.36)**	0.22

Summary of Consolidated Total Assets and Total Liabilities

	As at 31 December	
	2012	2011
	RMB million	*RMB million*
Total assets	**326,235**	332,031
Total liabilities	**273,433**	273,856
Net assets	**52,802**	58,175

REPORT OF DIRECTORS

I. BUSINESS OVERVIEW

(I) Business Segments of the Company

1. Engineering and Construction Business

(1) Industry Overview

Generally speaking, according to the preliminary estimation by the National Bureau of Statistics, in 2012, China's gross domestic product ("GDP") amounted to RMB51,932.2 million, up 7.8% as compared with the same period of 2011. The construction industry contributed RMB3,545.9 million, representing a growth of 9.3% as compared with the same period of 2011.

In terms of the subdivided industries to which the Company's engineering and construction business is related, for the metallurgical engineering and construction market:

— in 2012, the fixed assets investment in the national iron and steel industry increased by 2.97% to RMB658.4 billion over the same period of last year, 12.54 percentage points lower in terms of growth rate than 2011. The investment in the ferrous metal mining industry increased by 23.7% to RMB152.9 billion over the same period of last year, 5.3 percentage points higher in terms of growth rate than 2011. Investment in the ferrous metal metallurgy and rolling processing industry decreased by 2.0% to RMB505.5 billion over the same period of last year, and the growth rate in 2011 was 14.6%.

— in 2012, the fixed asset investment in non-ferrous metal mining industry increased by 19.0% to RMB147.7 billion over the same period of last year. The fixed asset investment in the non-ferrous metal metallurgy and the rolling processing industry increased by 20.6% to RMB448.5 billion over the same period of last year.

For other engineering and construction markets:

— in 2012, the investment in the infrastructure construction was RMB7,612.916 billion, representing an increase of 13.7% as compared with last year.

— in 2012, the investment in the domestic property development was RMB7,180.4 billion, representing a nominal growth of 16.2%, and an actual growth of 14.9% excluding the price factor, over the same period of last year. The investment in residential properties increased by 11.4% to RMB4,937.4 billion. The gross floor area ("GFA") under construction by property development enterprises increased by 10.6% to 5,734.18 million sq.m., whilst newly-commenced GFA decreased by 7.3% to 1,773.34 million sq.m.

(2) The operating results of the segment

In 2012, besides cementing its leading presence in the global metallurgy market, the Company explored opportunities in the domestic and overseas non-metallurgical engineering and construction projects such as housing constructions, transportation infrastructure, sports stadiums and energy-saving and environmental protection projects, and made progress which enhanced its ability to confront market risks. Meanwhile, the program was designed to strengthen the engineering projects management. It enhanced the management and risk control of the Company and improved the profitability of the projects.

The overall operating results of the engineering and construction segment in 2012

Unit: RMB'million

	2012	% of the total	2011	Year-on-year growth
Segment revenue	**174,993**	79.69%	180,646	–3.13%
Segment results	**6,040**	115.22%	8,002	–24.52%

Note: The segment data above is before inter-segment elimination.

For details of certain major projects under the Company's engineering and construction segment that were newly signed in 2012, please refer to "Other Material Contracts" as set out on page 82 to 85 in this report.

Metallurgical Engineering and Construction Market

Leveraging on the innovative marketing modes and closely monitoring latest information on the projects, the Company extended its exploration into the traditional metallurgical engineering and construction market.

— Subsidiaries of the Company such as WISDRI Engineering & Research Incorporation Limited, MCC TianGong Group Corporation Limited and ACRE Coking & Refractory Engineering Consulting Corporation, MCC, entered into various major metallurgical engineering and construction contracts with contract value exceeding RMB1 billion, such as the coking construction of Jinda Coal Co., Ltd., Xiaoyi with an annual production capacity of 3 million tons(孝義市金達煤焦有限公司300萬噸/年焦化工程), the newly-built high strength steel production line for Kezhou Ganxin Iron & Steel Co., Ltd. with an annual capacity of 1 million tons(克州贛鑫鋼鐵有限公司新建年產100萬噸高強度生產線工程)and the coking construction of South Xinjiang steel industrial base project for Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd.(寶鋼集團新疆八一鋼鐵有限公司南疆鋼鐵基地項目焦化工程).

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— China Enfi Engineering Corporation and CISDI Group Corp. Ltd.* (中冶賽迪集團有限公司), subsidiaries of the Company, further undertook a multiple of major non-ferrous metal and rare metal construction projects such as the construction and installation of the area covering axis 74~154 in the section of CD for the potroom in the project of aluminum-based alloy and steel bars, the design contract for constructing the mine of molybdenum, lead and zinc in Chalukou, Greater Khingan Mountains in Heilongjiang and the molybdenum-rolled plate and wire.

Non-metallurgical Engineering and Construction Market

In 2012, the Company made progress on its active expansion into the non-metallurgical engineering and construction market involving housing constructions, transportation infrastructure, sports stadiums and energy-saving and environmental protection, making new development.

— China MCC 5 Group Co., Ltd. and China MCC 19 Group Co., Ltd. undertook the construction projects of key infrastructure in Chengdu, while MCC Capital Engineering & Research Incorporation Limited undertook the construction projects of key infrastructure in Yingkou.

— Shanghai Baoye Group Corp., Ltd. won the bid of the landmark civil engineering project in Kunshan and China Huaye Group Co., Ltd. won the bid of the sports stadium project in Wuzhong.

The above projects would enhance the Company's brand influence in the non-metallurgical engineering and construction market and facilitate the transformation and upgrade of the engineering sector.

Overseas Engineering Market Expansion

In 2012, the Company expedited the implementation of the "go global" policy. Leveraging on its overall strength, the Company continued to explore the overseas market.

— For the metallurgical engineering and construction markets, India and Southeast Asia remained our focus. The Company entered into a portfolio of major overseas metallurgical engineering and construction projects such as the provision of the steel structures for the secondary refining facilities of the BSP project in India（印度BSP二次精煉鋼結構供貨工程項目）, the EPC general contract of blast furnaces and coke ovens in Formosa Plastics Ha Tinh steel plant in Vietnam（越南台塑河靜鋼鐵廠高爐和焦爐EPC總承包項目）.

— The Company vigorously expanded the civil and infrastructure construction markets in regions such as the Middle East and Singapore, through the integrated engineering and construction management platform formed by its branches in the Middle East market and leveraging advantages of the localized operation through the subsidiary in Singapore, in a bid to increase the overseas market share of principal business of engineering and construction of the Company. In 2012, the Company undertook some major projects including the science institution and staff entertainment center for university town in Kuwait（科威特大學城科學院與教員俱樂部項目）with an approximate contract value of RMB4.19 billion, the public housing project in Choa Chu Kang（蔡厝港地區新建組屋鄰里項目）and the general contract of executive condominium in Yishun Avenue 7（義順7道執行共管公寓總承包）in Singapore. In addition, at the end of 2012, the Company entered into the Malaysia ACACELL pulp project with an annual production capacity of 850,000 tons（馬來西亞ACACELL年產85萬噸紙漿項目）, the total contract value of which was approximately RMB9.23 billion.

Awards

During the Reporting Period, the Company received numerous awards in respect of the projects undertaken or in which it had participated, including 4 "Lu Ban Awards" for China's construction engineering (中國建設工程魯班獎), 10 silver prizes in the National Quality Construction Awards (國家優質工程銀質獎), 29 Quality Construction Awards in Metallurgical Industry（冶金行業優質工程獎）, 100 Outstanding Design Awards in Metallurgical Industry（冶金行業優秀設計獎）and 27 Outstanding Survey Awards in Metallurgical Industry（冶金行業優秀勘察獎）, a full testimony to the Company's competitiveness in the engineering and construction industry, particularly on metallurgical engineering and construction.

REPORT OF DIRECTORS

2. *Equipment Manufacturing Business*

(1) Industry Overview

In 2012, the national output of the equipment used for metallurgy was 857,885 tons, representing a growth of 1.2% as compared with the same period of last year. The output of the equipment used in the metal rolling was 646,149.86 tons, representing a decrease of 10.36% as compared with the same period of last year.

The major focus and directions of development of the metallurgical equipment manufacturing industry lied on the restructuring and upgrade policies of the iron and steel industry. During the "Twelfth Five-year", facing challenges in the restructuring of the iron and steel industry and the phasing out of obsolete production capacities throughout, the State promulgated relevant policies to curb the fast growth of iron and steel production capacities. The techniques that directly contribute to the production capacity, such as bloom continuous casting, hot continuous rolling, cold continuous rolling, continuous thin slab casting and rolling were no longer listed as encouraged items. In the meantime, to encourage the development of a cyclical economy, the multifunctional dry desorption of pollutants, including sulphur, nitra and dioxin, from sintering gas, the technology of by-products recycling, the techniques and equipment for the recycling of waste liquid from metallurgy and the development and application of the techniques for the new-generation cyclical procedures of iron and steel were encouraged. In addition, the Ministry of Industry and Information Technology of the PRC (國家工業和信息化部) promulgated the Twelfth Five-year Plan of Industrial Technology Innovation (《「十二五」產業技術創新規劃》), specifying the focus of technology and equipment development in the iron and steel industry including the advanced technology of manufacturing iron and steel material used for restructuring and upgrade of products, the refined technology and equipment as well as the IT intelligent control for integrating the material flow and energy flow network in the new generation of iron and steel manufacturing procedures featuring efficiency and low power consumption, the key technology for controlling and recycling of wastes from the iron and steel industry, key techniques for the low costs and high efficiency of iron and steel materials and the technology for the safe and efficient development and comprehensive use of mineral resources for metallurgical purpose.

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 due to the continuous growth of bridges used in traffic engineering, civil construction and steel structure housing, hence the steel structure market will gradually see ample room for development.

REPORT OF DIRECTORS

(2) The operating results of the segment

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 results of the equipment manufacturing segment in 2012

Unit: RMB'million

	2012	% of the total	2011	Year-on-year growth
Segment revenue	**11,307**	5.15%	14,231	–20.55%
Segment results	**–668**	-12.74%	5	–

Note: The segment data above is before inter-segment elimination.

During the Reporting Period, the large multi-ram die forgings and heavy equipment automation industrial base construction project constructed by China 22MCC Group Co., Ltd., a subsidiary of the Company, as the first 40MN pre-stressed and wire twined multi-directional forging press machine production line, succeeded in hot trial and commenced trial production. In the meantime, extensive research concerning the techniques and equipment of 40MN multi-directional forging press machine had also been conducted.

On the other hand, the Company had been vigorously expanding the equipment manufacturing business with intellectual property rights. MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd. (中冶京誠(湘潭)重工設備有限公司), an associate of the Company, developed and manufactured 400-ton large-scale self-dumping mining trucks, which had successfully completed the industrial operation and functioning test. To expand the market for the new products and support the trial of the trucks in the Inner Mongolia base of Shenhua, two 220-ton mining trucks were ordered by Jiangxi Copper Corporation (江西銅業集團公司) in the second half of 2012.

The new project on the manufacturing of forged steel rolling mill and the expansion of the hot processing production capacity in Fuping Country, Shaanxi Province planned and constructed by MCC-SFRE Heavy Industry Equipment Co., Ltd.* (中冶陝壓重工設備有限公司), a subsidiary of the Company, had officially commenced operation and successfully completed the casting and processing for the 220-ton large-scale memorial archway, which further expanded the market of large-scale forged steel rolling mill and the castings and forging products, thus complementing and optimizing the industrial chain.

REPORT OF DIRECTORS

The high-end equipment manufacturing business with intellectual property rights of WISDRI Engineering & Research Incorporation Limited, a subsidiary of the Company, had made great progress. It had independently developed and manufactured the muffle furnace, a key equipment of the bright annealing furnace for stainless steels, and the equipment can be supplied in a complete set. New-type humidifier for silicon steel, which is the key equipment in the production line of continuous annealing for silicon steel, significantly improved the stability and accuracy of the humidification technique in the silicon steel annealing and improved the product quality of silicon steel strip, thus reinforcing its technical strength and overall competitiveness in the field of heat treatment of silicon steel. The high-end vector frequency converter had completed the pilot-scale experiment and had been put into production. The product was used in the projects of Yesteel and Hujiu.

To implement the Company's industrial restructuring policy of its steel structure business, relevant construction subsidiaries of the Company continued to penetrate into the non-metallurgical business market and moved beyond to the construction of high-end steel structure buildings such as large-scale venues and civil ultra-high-rise buildings. Our subsidiary, Shanghai Baoye Group Corp., Ltd., focused on the steel structures used in large-scale venues, public utilities, high-rise buildings and other industries as its major products. Our subsidiary, China MCC 5 Group Co., Ltd., performed well in terms of urban railway transits, platforms of maglev train and the steel structures of bridges. Our subsidiary, China MCC 1 Group Co., Ltd., had already took up a certain amount of market share in the municipal bridges field and took up more than 80% market share in terms of large-scale LPG storage tank manufacturing in the PRC.

3. Resources development business

(1) Industry overview

Resources development business mainly refers to exploration, mining, processing, smelting and advanced processing of metal and non-metal mineral resources.

Since 2012, given the economic downturn domestically and overseas, the steel industry faced difficulties arising from the significant drop in steel demand and the increasingly apparent problem of excess capacity. In 2012, the national output of crude steel amounted to 720,000,000 tons, representing a year-on-year increase of 3.1%, 5.8 percentage points lower in terms of growth rate than the same period of last year. In 2012, the domestic apparent consumption of crude steel was 700,000,000 tons, representing a year-on-year increase of 1.8%. The steel prices dropped throughout the year as compared with last year. According to the statistics from Iron & Steel Association, in the first and second week of September, the consolidated price index for national steel products fell below 100. At the end of December, the consolidated price index for national steel products was 105.3 points, representing a decrease of 15.2 percentage points or 12.6% as compared with the beginning of the year. Against the backdrop of a sluggish steel market, the domestic demand for iron ores dropped in 2012, while the production of iron ore fell. In 2012, the national output of raw iron ore was 1.31 billion tons, representing a year-on-year decrease of 1.3%. Although there was a slowdown in growth of the volume of imported iron ores compared on a month-to-month basis with the same period of last year, the growth rate remained high on annual basis maintaining the intense reliance on import. The annual average price of imported iron ore was US$128.6/ton, representing a drop of 23.5% compared to US$168/ton in 2011. However, the price is still high at historic level.

As for non-ferrous metals, according to the 2012 Analysis on the Non-ferrous Metals Industry in the PRC and the Prospect for 2013 (《2012年我國有色金屬工業運行情況分析及2013年形勢展望》) published by the Ministry of Industry and Information Technology of the PRC, 8,057 scaled-up enterprises in the non-ferrous metals industry in China (excluding those engaged in the gold or rare earth sectors) recorded an operating income of RMB4,137 billion from their principal business, representing a year-on-year increase of 15.1% in 2012. The output of the ten non-ferrous metals amounted to 36,910,000 tons, representing a year-on-year increase of 9.3%, 1.3 percentage points lower in terms of the growth rate. In 2013, a series of factors, including more investments in the infrastructure, the promulgation of the development plan for national strategic emerging industries during the "Twelfth Five-year" period and the project to promote energy-efficient products for the benefit of the people would further increase the consumer demand for non-ferrous metals products, especially for non-ferrous products which have undergone fine and advanced processing. In 2013, it is estimated that the non-ferrous metals industry will progress steadily with more significant restructuring.

REPORT OF DIRECTORS

Cash Settlement Price Charts of LME in 2012

Unit: US$/ton

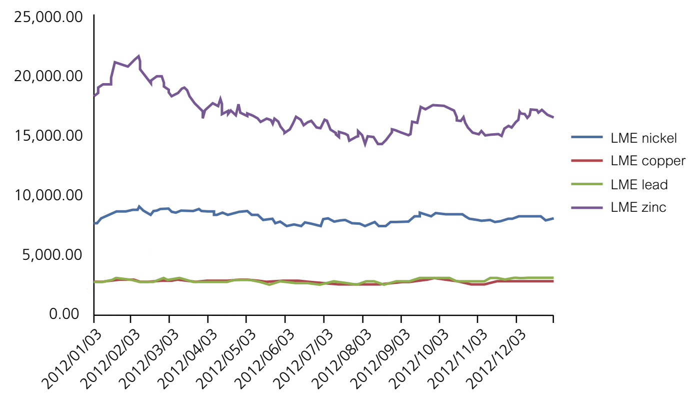


Table of China's Output, Consumption and Import of Iron Ore, Copper, Nickel, Lead and Zinc in Recent Years

Unit: 0'000 tons

	Type	2010	2011	**2012**
Output	Iron ore	107,771	132,694	**130,964**
	Copper	454	519.7	**606**
	Nickel	31.4	48	**22.9**
	Lead	415.8	464.8	**464.7**
	Zinc	520.9	522.2	**484.5**
Consumption	Iron ore	94,433	99,590	**106,000**
	Copper	738.5	791.5	**780**
	Nickel	48.9	71.3	**68.3**
	Lead	417.1	466.2	**467.2**
	Zinc	535.0	547	**528**
Import	Iron ore	61,863	68,608	**74,355**
	Copper	292.0	283.6	**340.2**
	Nickel	18.1	21.2	**15.9**
	Lead	3.8	2.5	**2.6**
	Zinc	32.3	34.8	**48**

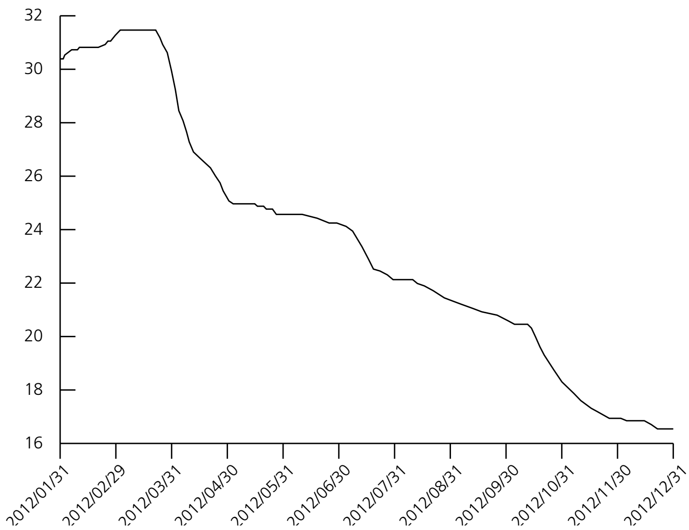
Notes: 1. 2010-2011 figures for copper, nickel, lead and zinc were sourced from "World Metal Statistics" while the figures for 2012 come from the National Bureau of Statistics and the China Nonferrous Metals Industry Association.

2. Figures for iron ore, out of which 2012 iron ore consumption is estimated figures, were sourced from the China Iron & Steel Association, the National Bureau of Statistics, the General Administration of Customs and Umetal.com.

In 2012, polysilicon saw a continued drop in price, down from approximately RMB305 thousand per ton at the beginning of the year to approximately RMB155 thousand per ton at the end of the year in terms of the price in spot market. The weak demand muted the polysilicon market.

Spot price chart of Polysilicon in 2012

Unit: RMB0'000/ton



(2) The overall operating results of the segment

The Company's resources development business mainly focuses on the sectors of mineral products (including iron, copper, nickel, lead and zinc) and metallurgical processing as well as polysilicon production.

In 2012, the Company, based on the principle "distinguish arrangement and categorised implementation for key promoting projects, postponed projects and assets disposal projects", gave classification and guidance to the existing overseas resources projects. In relation to key promoting projects, the Company concentrated and actively proceeded various resources to urge for early production with desired effect. In relation to postponed projects or projects currently in the stage of preliminary work, the Company made adjustment on development ideas and strategy, and searched for opportunity to develop. In relation to assets disposal projects, the Company began to conduct research on withdrawal solution to minimise loss of assets.

REPORT OF DIRECTORS

In order to maintain a stable development of MCC, the Company transferred its 51.06% equity interest and all loans in Huludao Nonferrous to the controlling shareholder MCC Group on 31 December 2012 and 5 February 2013 respectively. Upon completion of the two transfers, the Company no longer held any equity interest and loan in Huludao Nonferrous and any subsequent loss incurred thereof would not have any impact on the Company.

The segments results of the resources development segment in 2012

Unit: RMB'million

	2012	% of the total	2011	Year-on-year growth
Segment revenue	**2,778**	1.27%	5,066	–45.16%
Segment results	**–3,697**	-70.53%	727	–

Note: The segment data above is before inter-segment elimination.

In 2012, the operating conditions of certain resources projects of the Company which were undergoing production are as follows:

Saindak Copper-Gold Mine, Pakistan: In 2012, the production and operation of the project was normal. The mine maintained steady output of products. The total stripping volume for the year amounted to 10.40 million tons. The mine yielded production of 19,221 tons of blister copper and reached 17,833 tons of sales. Operating revenue amounted to RMB1.37 billion.

Luoyang China Silicon Hi-tech Corporation ("Luoyang China Silicon"): Despite the adoption of various measures to reduce loss and raise efficiency, as affected by the recession throughout the whole industry, the major operating indicators of Luoyang China Silicon deteriorated in 2012. In 2012 it produced an aggregate of 4,034 tons of polysilicon, representing a decrease of 50.4% over the same period of last year, Sales volume amounted to 3,847.28 tons, representing a decrease of 41.9% over the same period of last year. The average sales price of polysilicon was RMB137.65/kg, representing a decrease of 57.1% over last year. Operating revenue amounted to RMB636.17 million, representing a decrease of 75.6% over the same period of last year. Net loss amounted to RMB1,017.057 million, representing a decrease of RMB1,619.688 million over the same period of last year.

Sierra Grande Iron Ore, Argentina: In 2012, the Sierra Grande Iron Ore completed its annual production plan of 1 million tons of raw ores and 0.45 million tons of iron ore concentrates before scheduled time. The actual output of raw ores for the year reached 1.02 million tons, representing a year-on-year increase of 66.7%. Output of iron ore concentrates reached 0.485 million tons, representing a year-on-year increase of 70.2% and sales reached 0.373 million tons. Operating revenue for the year amounted to RMB279 million.

In 2012, the Company had vigorously expedited the construction of projects under the resources development segment as planned, the progress of which was as follows:

Ramu Nico Project, Papua New Guinea: In 2012, the Ramu Project was still under the stage of construction and trial production. Since the load commissioning of the project commenced in March 2012, the trial of production for and shift between two series of high pressure acid leaching production line were consecutively undertaken. Since the end of August 2012, two series of high pressure acid leaching realised paralleled operation and production. Currently the project officially entered the stage of production. After the load commissioning of the project commenced, production indicators and technical indicators recorded a steady increase. As at the end of 2012, production of nickel and cobalt hydroxide products (on dry basis) amounted to 13,783 tons and the sales reached 2,900 tons, whilst the production of chromium concentrates amounted to 18,000 tons. On 6 December, an operation ceremony was held for completion of the project. In November 2012, the first batch of products on trial sale was delivered through a shipment (for details, please refer to the overseas regulatory announcement published by the Company on 6 December 2012).

Aynak Copper Mine Project, Afghanistan: The tardy progress of the work which was undertaken by the Afghanistan government, including excavation of relics, land requisition, village relocation and mine clearance, combined with the worsening safety condition seriously, upset the normal progress of the project. As such, the working condition did not meet the requirement for the project to proceed and feasibility of the work of the project was affected by uncertainties of phosphate and coal resources. The Company took proactive steps in liaising with the Afghanistan government in this regard to resolve by negotiation. The Company appointed advisory bodies to analyse and identify project risks.

Duddar Lead-Zinc Mine Project, Pakistan: In 2012, a stage-wise suspension of production was implemented in the Duddar Lead-Zinc Mine Project, mainly for supplementary resources exploration and on-site maintenance. As at the end of the Reporting Period, research and verification were still being conducted for the next steps to be taken.

Cape Lambert Iron Ore Project, Australia: As at the end of the Reporting Period, the Company endeavoured to seek appropriate strategic investors and conducted daily maintenance for the mining rights.

4. *Property Development Business*

(1) Industry Overview

In 2012, the central government adhered to reinforce its policy to control the real estate market. The real estate market tended to develop in a direction under macroeconomic control. In curbing housing demand driven by speculation and investment, the central government made efforts in construction and management of welfare housing. In respect of monetary policy, it was expected that the control over fine-tune monetary policy would be tightened whilst the central government pressed ahead with the construction of welfare housing, and the subsidy injected for the construction of welfare housing would be increased. A number of ministries gave support to diversified financing made by participating enterprises relating to the development of welfare housing.

REPORT OF DIRECTORS

In 2012, the real estate investment in the PRC amounted to RMB7,180.4 billion, representing a nominal increase of 16.2% over 2011 (real increase of 14.9% after excluding the price factor), 0.5 percentage point lower in terms of growth rate than the period from January to November and 11.9 percentage points lower than 2011. In particular, residential property investment amounted to RMB4,937.4 billion, representing 68.8% in proportion to the real estate investment. Area of newly-commenced construction was 1,773 million sq.m., representing a year-on-year decrease of 7.3%, 0.1 percentage point higher in terms of decline rate than the period from January to November. Area under construction amounted to 5,734 million sq.m., representing an increase of 13.2% over last year, 0.1 percentage point lower in terms of growth rate than the period from January to November. The completed construction area amounted to 994 million sq.m., representing an increase of 7.3%.

In 2012, sales area of commodity houses amounted to 1,113 million sq.m., representing an increase of 1.8% over last year, 2.6 percentage points lower in terms of growth rate than 2011. The sales of commodity houses amounted to RMB6,445.6 billion, representing a year-on-year increase of 10%, 1.1 percentage points lower in terms of growth rate than 2011. Land acquisition area amounted to 357 million sq.m., representing a decrease of 19.5% over 2011. The amount of land transaction was RMB741.0 billion, representing a year-on-year decrease of 16.7%.

As at the end of October 2012, new construction of 7.22 million units of houses for welfare housing of urban areas was commenced in the PRC and the construction of 5.05 million units was basically completed, accomplishing the targets of welfare housing for the year prior to scheduled time.

(2) The operating results of the segment business

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 reorganisation of resources and business integration, the Company progressed toward becoming a property enterprise with multi-regional and group-based operation, with business including commodity property development, welfare housing construction and primary land development.

The segment results of the property development segment in 2012

Unit: RMB'million

	2012	% of the total	2011	Year-on-year growth
Segment revenue	**25,226**	11.49%	20,717	21.76%
Segment results	**3,825**	72.97%	2,091	82.93%

Note: The segment data above is before inter-segment elimination.

Detailed operating results of the property development segment in 2012

Unit: RMB'00million, 0'000 sq.m.

	2012	2011	Year-on-year growth
Total investment completed	**297**	371	–19.9%
Contracted sales area	**109**	138	–21.0%
Contracted sales	**106**	149	–28.9%
GFA completed	**286**	206	38.8%
GFA under construction	**2,000**	1,902	5.1%
Including: newly commenced GFA	**325**	726	–55.2%
Total GFA of reserve calculated with plot ratio for commodity properties and welfare housing projects	**905**	1,006	–10.0%
Site area to be developed for primary land development projects	**3,307**	2,074	59.5%

In 2012, the property development segment of the Company had 169 projects under operation with a planned GFA of 44.1458 million sq.m. In particular, 100 of them were commodity property development projects including residential properties, high-grade apartments, villas, office buildings and commercial properties, with a total GFA of 26.5664 million sq.m. 52 of them were welfare housing projects, mainly comprising low-renting housing, affordable housing, redeveloping urban shanty areas and restructuring of dilapidated houses in rural area, with a total GFA of 17.5795 million sq.m. and 17 of them were primary land development projects with a total construction area of 5,709.66 sq.m.

The Company will remain committed to the principle of economies of scale, standardised capital operation, market segmentation and consumer diversification. In respect of product strategy, it aspires to adjust to high return product mix such as commodity properties, and actively engages in multi-dimensional and high-end property development. By moderately expanding its existing welfare housing development business, it has laid solid foundation to further strengthen and improve the property development business of the Company. New market domains that have been explored enabled the Company to adjust and optimise 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 the strategy of creating the brand of "MCC Real Estate" and the strategy of operating in highly focused regions, the Company has strived to improve its property development in order to facilitate the overall positive development of the property development business of the Company.

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(II) Scientific Research Contribution and Achievements

In 2012, the Company increased its investment in science and technology development on headquarters level whilst actively enlisting financial support on science and technology from the state. Its annual investment in science and technology amounted to RMB1,933 million, representing 0.87% of the revenue for the year. Through enhancement on the investment, quality and management level of science and technology, there is a significant improvement in the independent innovation ability as well as core competitiveness of the Company and hence fruitful achievements. In July 2012, MCC Group, which regarded the Company as its core asset, was recognised as one of the 15 key affiliated enterprises for Implementation Outline of Scientific and Technological Innovation Strategy regarding the "Twelfth Five-year Plan" for Central Enterprises（《中央企業「十二五」科技創新戰略實施綱要》）promulgated by the SASAC.

1. *Construction of Technology Innovation Platforms*

In 2012, the Company was granted new approvals in respect of the construction of 4 new provincial and ministerial technology innovation platforms. As at the end of 2012, the Company has, in aggregate, established 9 new technology innovation platforms at national level, 41 MCC engineering technology centres and 51 new technology innovation platforms at provincial and ministerial level. Amongst them, in reliance of the National Technology Research Centre for Iron Metallurgy, Equipment and System Integration（國家鋼鐵冶煉裝備系統集成工程技術研究中心）constructed by the CISDI Group Corp. Ltd.* (中冶賽迪集團有限公司), a subsidiary of the Company, the Company successfully completed a comprehensive inspection for acceptance conducted by the Ministry of Science and Technology of the PRC in November 2012. Overall results of the inspection ranked the 2nd among 14 participating corporate national technology research centres nationwide. The inspection result was considered as excellent.

2. *Scientific Research Projects Report*

In 2012, the Company was granted new approvals in one project under the National 973 Program（國家973計劃）, two projects under the National 863 Program（國家863計劃）, five projects under the National Technological Support Scheme（國家科技支撐計劃）and granted approval in one project under the "Integration of the Two（兩化融合）" by the Ministry of Industry and Information Technology of the PRC. Measures were adopted to implement 13 projects under the Major Technology Project（重大科技專項）under the "Third Five (三五)" undertaken by MCC.

3. *Patent Applications*

In 2012, the Company made 3,761 new applications for patents (including 1,326 invention patents), while 2,868 patents (including 634 invention patents) were newly granted. As at the end of 2012, the Company had a total of 8,746 valid patents (including 1,615 valid invention patents). On the ranking list concerning patents in 2011 published by SASAC in July 2012, MCC Group, which regarded the Company as its core asset, ranked the 5th in terms of the number of accumulated valid patents among the central state-owned enterprises and the 1st among the central state-owned enterprises in the metallurgy and construction classes, amongst which, its accumulated valid invention patents ranked the 13th in terms of number among the central state-owned enterprises.

4. *Science and Technology Awards Report*

In 2012, the Company had earned 6 prizes of the National Science and Technology Advancement Award（國家科技進步獎）, including 1 first prize and 5 second prizes, a year regarded as earning the most national technology prizes throughout the history of the Company. The Company also earned 4 China Patent Merit Awards（中國專利優秀獎）and 10 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 3 first prizes, 2 second prizes and 5 third prizes, a year regarded as earning the most first prizes for such award since the establishment of the Company. In particular, one construction enterprise (China MCC 20 Group Co., Ltd.) earned the first prize unprecedentedly.

In 2012, the Company selected a total of 58 MCC Science And Technology Awards, including 1 special prize, 9 first prizes, 15 second prizes and 33 third prizes. The Company also selected 29 MCC Patent Technology Awards with 9 gold prizes and 20 silver prizes. Besides, 115 MCC Outstanding Thesis Articles Awards were shortlisted, including 17 articles with first prizes, 32 articles with second prizes and 66 articles with third prizes.

5. *Technological Standard Preparation*

In 2012, the Company pronounced 19 national standards and 28 industrial standards. Approvals were granted for compiling 16 new national standards and 12 new industrial standards.

6. *Exemplary Projects Construction*

In 2012, the Company was granted approvals in adopting measures for implementation of 13 MCC model projects for new building technology application and organised 12 inspections for MCC model projects for new building technology application.

(III) Analysis of Core Competitiveness

The Company, a metallurgical engineering and construction contractor with the largest domestic market share, the longest history in specialized operation and the strongest capacity in the professional designing, is the leader in the metallurgy construction field in the PRC. Possessing some top designing institutes in the country, such as Capital Engineering & Research Incorporation Limited（中冶京誠工程技術有限公司）, WISDRI Engineering & Research Incorporation Limited, CISDI Group Corp. Ltd.（中冶賽迪集團有限公司）and China Enfi Engineering Corporation (中國恩菲工程技術有限公司), the Company excels in technological innovation and industrialization. Leveraging on the extensive experience and technological strength accumulated in the metallurgical engineering and construction field, the Company proactively develops the business in other non-metallurgical engineering and construction fields, and utilizes relevant technologies as connection to achieve synergistic development with different sectors supplementing and promoting each other.

During the Reporting Period, there were no changes in the core competitiveness of the Company.

REPORT OF DIRECTORS

(IV) 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 the implementation of fiscal and monetary policies of the State.

1. *Trends of Global and National Macroeconomies*

   Operations of each business of the Company are influenced by global and national macroeconomic environment. Global and national macroeconomic trends 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 and the performance of the Company's business operations may vary in different economic cycle of the country.

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 equipment, products of resources development and residential properties might also be affected by changes in demand in related markets and hence influencing the financial position of the Company.

   Points 1 and 2 mentioned above are the major risk factors that influence the results 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, 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 change of the above stated raw materials may affect the costs of specific raw materials and consumables of the Company.

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.

REPORT OF DIRECTORS

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

Huludao Nonferrous, a former 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 was observed. It was facing serious indebtedness problem and material impairment of assets. Pursuant to the requirements of the Accounting Standard for Business Enterprises and International Financial Reporting Standards as well as the assets appraisal results, provisions were made for the impairment loss for assets in the period. At the end of 2012, the Company transferred its 51.06% equity interest in Huludao Nonferrous to MCC Group. Pursuant to the progress of EPC contract of the SINO iron ore project and the written confirmation from CITIC Group Corporation, MCC Mining (Western Australia) Pty Ltd, a subsidiary of the Company, recognized the amounts where estimated total costs exceed estimated total revenue as the loss in the current period. The feasibility study report for the assets of Cape Lambert Iron Ore Project ("Cape Lambert Iron Ore Assets"), which belongs to MCC Australia Holding Pty Ltd, a subsidiary of the Company, indicated that due to the significant changes in laws, techniques, exchange rates and environment, which would continue to exert major impact on the project, the estimated production costs in the future may continue to rise and the internal rate of return of the project is much lower than expected and the assets may have been impaired. Pursuant to the requirements of the Accounting Standard for Business Enterprises and International Financial Reporting Standards as well as the assets appraisal results, provisions were made for the impairment loss for assets in the period. The abovementioned issues exerted substantial impacts on the operating results of the Company in 2012.

The Ramu nickel laterite mine project has commenced operation in December 2012. Projects financed by A Share proceeds such as 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 result of the EPC contract of the SINO ore mine construction project in Western Australia will affect the future 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 the corporate governance, strengthen the implementation of operation management and internal control, improve management quality and effectiveness, and perfect assessment and incentive system of the Company. Through reform and innovation, energy and creativity will be stimulated throughout the Company. Whether these management goals are effectively implemented will also considerably influence the improvement 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, 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.

(V). The Board's Discussion and Analysis on the Future Development of the Company

The Company's future development will follow "focus on building the scale and strength of principal businesses, whilst diversify the operation moderately to achieve a sound development". For the principal businesses which have advantages and enjoy a stable development, the Company will consolidate the strength through sustaining the sound development momentum of the traditional principal business of engineering and construction business as well as the property development businesses. Under the risk of strict control, the Company will expedite the development of strategic emerging industries such as the municipal sewage treatment, waste incineration, the processing of steel slag, photovoltaic power generation, oxygen generation, environmental friendly buildings and energy performance contracting. These industries are consistent with the nation's development and related with the principal businesses. They also enjoy a stable market and profit, reliable technology and reasonable scale, which may form growth points for profits.

In 2012, certain issues resulted in a significant decrease in the Company's overall profits and a great loss was incurred. However, the Company's traditional principal business of the engineering and construction, especially the enterprises engaged in the design, research and development and construction, coped with the complex economic situation where the excess capacity existed in the iron and steel industry and the metallurgical construction business withered, and managed to achieve a satisfactory operating results and stable development. These traditional businesses become more competitive in the market. Through the Company's efforts in strictly controlling the liabilities, BT projects and investments in the non-principal businesses, intensifying the project settlement, clearing of the receivables and recovering of the inventories and clearing of the idle and low-efficiency assets, the Company's cash flows from operating activities turned positive from negative, the interest-bearing liabilities have decreased, and the financial structural problem that restricted the Company's development has improved just as the planned target in 2012. In 2013, besides quickening the pace in tackling the historical problems, the Company will press ahead with the reform and innovation to push forward the sustainable and sound development of the Company. We believe that, following the settlement of the loss problem such as Huludao Nonferrous, the further improvement in the financial structure of the Company, the Company will achieve a turnaround from the low ebb in 2012, delivering sound operating results for the shareholders.

II. RESULTS

The annual results of the Company for the year ended 31 December 2012 are set out in the consolidated income statement on page 134 to 135. The financial highlights of the Company for the last five financial years on page 272 to 273 are extracted from the financial statements for the year and the H Share prospectus of the Company.

III. DIVIDENDS

No dividend for the year ended 31 December 2012 was declared by the Board.

IV. INVESTMENTS

(I) External Equity Investments

1. Overall analysis of external equity investment

(1). Securities investment

No.	Stock variety	Stock code	Stock abbreviation	Initial investment amount *(RMB)*	Number of shares held *(share)*	Carrying amount at the end of the period *(RMB)*	Percentage in securities investment held at the end of the period *(%)*	Gain or loss incurred in the Reporting Period *(RMB)*
1	Shares	600787	CMST Development Corp (中儲股份)	498,768	57,528	444,691	100	–12,081
		Total		498,768	/	444,691	100	–12,081

(2). Equity interests in other listed companies held by the Company

Unit: RMB'000

Stock code	Stock abbreviation	Initial investment cost	Percentage of the company's total equity *(%)*	Carrying value at the end of the period	Gain or loss incurred in the Reporting Period	Changes in owners' equity during the Reporting Period	Account category	Source of shares
601328	Bank of Communications	92,839	0.06	219,209	4,459	20,412	Available-for-sale financial assets	Partly are initial shares and partly are purchased from the secondary market
000939	Kaidi Eiectric Power	2,562	1.11	70,052	1,049	–41,108	Available-for-sale financial assets	Initial shares
600643	AJ Corporation	2,166	0.15	13,074	0	2,522	Available-for-sale financial assets	Initial shares

Stock code	Stock abbreviation	Initial investment cost	Percentage of the company's total equity (%)	Carrying value at the end of the period	Gain or loss incurred in the Reporting Period	Changes in owners' equity during the Reporting Period	Account category	Source of shares
600729	Chongqing Department Store	450	0.12	11,833	208	–2,936	Available-for-sale financial assets	Initial shares
000709	Hebei Steel	5,800	0.03	7,626	59	–493	Available-for-sale financial assets	Initial shares
600117	Xining Special Steel	1,400	0.20	7,364	0	–2,226	Available-for-sale financial assets	Initial shares
600322	Tianjin Reality Development	1,600	0.09	3,870	70	660	Available-for-sale financial assets	Initial shares
600282	Nanjing Iron & Steel Corp	530	0.03	2,643	78	–470	Available-for-sale financial assets	Initial shares
000005	Fountain	420	0.04	1,108	0	–332	Available-for-sale financial assets	Initial shares
600665	Tande	1,122	0.02	665	61	236	Available-for-sale financial assets	Initial shares
600618	Chlor-alkali Chemical	216	0	0	118	45	Available-for-sale financial assets	Initial shares
601318	Ping An Insurance	276	0	0	0	2,072	Available-for-sale financial assets	Initial shares
	Total	109,381	/	337,444	6,102	–21,618	/	/

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

Name of investee	Initial investment cost (RMB)	Shareholding percentage of the investee (%)	Carrying value at the end of the period (RMB)	Gain or loss incurred in the Reporting Period (RMB)	Account category	Source of shares
Changcheng Life Insurance Co., Ltd (長城人壽保險股份公司)	30,000,000	1.92	30,000,000	0	Available-for-sale financial assets	By acquisition
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	3,000,000	Available-for-sale financial assets	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	2,119,458	Available-for-sale financial assets	By acquisition

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Name of investee	Initial investment cost *(RMB)*	Shareholding percentage of the investee *(%)*	Carrying value at the end of the period *(RMB)*	Gain or loss incurred in the Reporting Period *(RMB)*	Account category	Source of shares
Pansteel Group Financial Company (攀鋼集團財務有限公司)	4,416,900	0.26	4,416,900	0	Available-for-sale financial assets	By acquisition
Wusteel Group Financial Company (武鋼集團財務公司)	2,000,000	0.20	2,000,000	283,100	Available-for-sale financial assets	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	0	Available-for-sale financial assets	By acquisition
Nanjing Bank of Communications (南京交通銀行)	563,096	1.00	563,096	26,025	Available-for-sale financial assets	By acquisition
Jinzhou Commercial Bank Co., Ltd. (錦州市商業銀行股份有限公司)	31,000,000	0.00	0	0	Available-for-sale financial assets	By acquisition
Huludao Bank Co., Ltd. (葫蘆島銀行股份有限公司)	15,000,000	0.00	0	0	Available-for-sale financial assets	By acquisition
Total	123,173,676	/	77,173,676	5,428,583	/	/

(4) Transactions of shares of other listed companies.

Stock Name	Initial share amount *(share)*	Shares purchased in the Reporting Period *(share)*	Amount of money used *(RMB)*	Shares sold in the Reporting Period *(share)*	Share amount at the end of the period *(share)*	Investment income *(RMB)*
Tande	158,400	—	—	26,400	158,400 (Note)	54,161
Chlor-alkali Chemical	33,890	—	—	33,890	0	118,384

Note: During the Reporting Period, 26,400 shares in Tande were sold. For the remaining shares on held, 2 shares will be transferred into the capital for every 10 shares, according to the capital increase project regarding profit allocation and equity transfer of Tande in 2011. Therefore, shareholding as at the beginning of the period remains unchanged compared to that as at the end of the period.

The total investment gain from disposal of the newly subscribed shares during the Reporting Period amounted to RMB0.

(II) Entrusted Asset Management and Derivative Investments of non-financial institutions

1. Entrusted Asset Management

Unit: RMB0'000

No.	Name of the principal	Name of the trustee	Product categories of entrusted assets	Amount of entrusted assets	Amount provided for impairment	Commencement and expiry date of investment	Calculation method of remuneration	Estimated returns	Actual principal amount recovered as at the end of the Reporting Period	Actual revenue earned	Is it involved in litigation	Whether it is a connected transaction	Whether it is subject to legal procedures	Whether it is financed by the proceeds raised
1	China MCC 17 Group Co., Ltd.	Maanshan Office of Housing System Reform (馬鞍山市住房制度改革辦公室)	Other investment types	500	0	2012/01/01 to 2013/12/31	Fixed return	Revenue for 2012 expected to be RMB42.5	0	42.5	No	No	N/A	No
2	MCC Finance Corporation Ltd.	China Construction Bank Corporation	Open-ended asset management products	5,000	0	2011/11/10 to 2012/3/29	Correspond different rates of return based on actual holding period of the products	68.4	5,000	68.4	No	No	N/A	No
3	MCC Finance Corporation Ltd.	China Construction Bank Corporation	Corporate asset management products with principal guaranteed	20,000	0	2012/7/25 to 2012/8/1	Fixed return	12.6	20,000	12.6	No	No	N/A	No
4	MCC Finance Corporation Ltd.	China Construction Bank Corporation	Corporate asset management products with principal guaranteed	20,000	0	2012/9/27 to 2012/10/9	Fixed return	23.0	20,000	23.0	No	No	N/A	No
5	MCC Finance Corporation Ltd.	China Construction Bank Corporation	Corporate asset management products with principal guaranteed	20,000	0	2012/10/30 to 2012/11/6	Fixed return	13.4	20,000	13.4	No	No	N/A	No
6	MCC Finance Corporation Ltd.	China Construction Bank Corporation	Open-ended asset management products	20,000	0	From 2012/12/7 to present	Correspond different rates of return based on actual holding period of products	Redeem from time to time according to liquidity need and determine by holding period of products	0		No	No	N/A	No
7	MCC Finance Corporation Ltd.	China Construction Bank Corporation	Open-ended asset management products	30,000	0	From 2012/12/31 to present	Correspond different rates of return based on actual holding period of products	Redeem from time to time according to liquidity need and determine by holding period of products	0		No	No	N/A	No
8	MCC Finance Corporation Ltd.	China Construction Bank Corporation	Corporate asset management products with principal guaranteed	20,000	0	2012/12/31 to 2013/2/1	Fixed return	71.8	0		No	No	N/A	No

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2. *Entrusted Loans*

Unit: RMB0'000

No.	Name of the lender	Name of the borrower	Relationship of the borrower with the listed company	Amount of entrusted loan	Loan period	Annual interest rate (%)	Use of borrowing	Pledged asset or pledger	Is it overdue	Whether it is a connected transaction	Whether the payment is extended	Is it involved in litigation	Whether it is financed by the proceeds raised	Expected total revenue	Investment gain/loss during the Reporting Period	Note
1	Metallurgical Corporation of China Ltd.	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary note 1	7,551.00	2009/5/27 to 2010/5/26	5.31	Metallurgical processing	None	Yes	No	Yes	No	No	1,220.69	163.72	
2	Metallurgical Corporation of China Ltd.	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary note 1	5,734.00	2009/5/27 to 2010/5/26	5.31	Metallurgical processing	None	Yes	No	Yes	No	No	926.96	124.33	Repaid on 27 May 2012.
3	Metallurgical Corporation of China Ltd.	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary note 1	94,000.00	2009/6/30 to 2010/6/29	5.60	Metallurgical processing	None	Yes	No	Yes	No	No	16,031.68	2,150.23	For detailed explanation on payment extension, please see note 1.
4	Metallurgical Corporation of China Ltd.	MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary note 1	20,000.00	2009/10/26 to 2010/10/25	5.31	Metallurgical processing	None	Yes	No	Yes	No	No	3,233.20	433.65	
5	Metallurgical Corporation of China Ltd.	MCC-JJJ Mining Development Company Limited	Subsidiary	162,500.00	2009/11/18 to 2017/11/17	5.94	Mineral exploration	None	No	No	No	No	Yes	78,319.31	9,786.56	Note 2
6	Huatian Engineering & Technology Corporation MCC	Ma'anshan MCC Water Service Company Limited (馬鞍山中冶水務有限公司)	Subsidiary	2,100.00	2012/8/31 to 2015/8/30	6.15	Environmental works	None	No	No	No	No	No	387.45	40.54	
7	Huatian Engineering & Technology Corporation MCC	Lu'an MCC Water Service Company Limited (六安市中冶水務有限公司)	Subsidiary	2,400.00	2012/8/31 to 2015/8/30	6. 15	Environmental works	None	No	No	No	No	No	442.80	46.33	
8	MCC Capital Engineering & Research Incorporation Limited	MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associate	8,287.50	2011/6/28 to 2012/6/28	6.31	Manufacturing segment	None	No	No	No	No	No	522.94	285.78	
9	MCC Capital Engineering & Research Incorporation Limited	MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associate	8,287.50	2012/6/28 to 2013/6/28	6.31	Manufacturing segment	None	No	No	No	No	No	522.94	243.67	
10	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	Engineering segment	No	No	No	No	No	No	283.04	101.70	
11	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	Engineering segment	No	No	No	No	No	No	273.30	102.46	

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No.	Name of the lender	Name of the borrower	Relationship of the borrower with the listed company	Amount of entrusted loan	Loan period	Annual interest rate (%)	Use of borrowing	Pledged asset or pledger	Is it overdue	Whether it is a connected transaction	Whether the payment is extended	Is it involved in litigation	Whether it is financed by the proceeds raised	Expected total revenue	Investment gain/loss during the Reporting Period	Note
12	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	Engineering segment	None	No	No	No	No	No	181.22	81.79	
13	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	Engineering segment	None	No	No	No	No	No	225.51	102.58	
14	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	Engineering segment	None	No	No	No	No	No	119.51	54.56	
15	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	Engineering segment	None	No	No	No	No	No	153.93	68.09	
16	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	Engineering segment	None	No	No	No	No	No	113.76	54.46	
17	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	Engineering segment	None	No	No	No	No	No	31.20	13.69	
18	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	Engineering segment	None	No	No	No	No	No	73.15	37.05	
19	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	470.00	2012/1/16 to 2014/1/31	6.65	Engineering segment	None	No	No	No	No	No	62.51	28.41	
20	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	280.00	2012/3/19 to 2014/1/31	6.65	Engineering segment	None	No	No	No	No	No	34.14	13.73	

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No.	Name of the lender	Name of the borrower	Relationship of the borrower with the listed company	Amount of entrusted loan	Loan period	Annual interest rate (%)	Use of borrowing	Pledged asset or pledger	Is it overdue	Whether it is a connected transaction	Whether the payment is extended	Is it involved in litigation	Whether it is financed by the proceeds raised	Expected total revenue	Investment gain/loss during the Reporting Period	Note
21	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	400.00	2012/05/24 to 2014/1/31	6.65	Engineering segment	None	No	No	No	No	No	44.33	14.93	
22	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	2012/6/19 to 2014/1/31	6.40	Engineering segment	None	No	No	No	No	No	80.00	32.25	
23	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	320.00	2012/11/20 to 2014/1/31	6.40	Engineering segment	None	No	No	No	No	No	23.89	0.12	
24	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	700.00	2012/12/20 to 2014/1/31	6.40	Engineering segment	None	No	No	No	No	No	48.53	1.69	
25	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. (上海寶金屬製品有限公司)	Subsidiary	500.00	2011/5/16 to 2012/5/5	6.31	Manufacturing segment	None	No	No	No	No	No	31.90	11.83	
26	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. (上海寶金屬製品有限公司)	Subsidiary	500.00	2012/5/25 to 2013/5/24	6.31	Manufacturing segment	None	No	No	No	No	No	31.55	16.67	
27	Shanghai Baorong International Container Co., Ltd. (上海寶榮國際集裝箱有限公司)	Equipment Engineering of Shanghai No.5 Steel Co., Ltd. (上海五鋼設備工程有限公司)	Subsidiary	3,000.00	2011/7/13 to 2012/7/12	5.90	Manufacturing segment	None	No	No	No	No	No	179.08	102.83	

No.	Name of the lender	Name of the borrower	Relationship of the borrower with the listed company	Amount of entrusted loan	Loan period	Annual interest rate (%)	Use of borrowing	Pledged asset or pledger	Is it overdue	Whether it is a connected transaction	Whether the payment is extended	Is it involved in litigation	Whether it is financed by the proceeds raised	Expected total revenue	Investment gain/loss during the Reporting Period	Note
28	Shanghai Baorong International Container Co., Ltd. (上海寶榮國際集裝箱有限公司)	Equipment Engineering of Shanghai No.5 Steel Co., Ltd. (上海五鋼設備工程有限公司)	Subsidiary	1,500.00	2012/8/16 to 2013/8/15	5.40	Manufacturing segment	None	No	No	No	No	No	81.00	33.81	
29	Shanghai Baorong International Container Co., Ltd. (上海寶榮國際集裝箱有限公司)	Equipment Engineering of Shanghai No.5 Steel Co., Ltd. (上海五鋼設備工程有限公司)	Subsidiary	500.00	2012/9/19 to 2013/9/18	5.40	Manufacturing segment	None	No	No	No	No	No	25.20	11.27	
30	Shanghai Baoye Group Corp., Ltd.	Shaoxing Zhongye Xinyu Real Estate Company Limited (紹興中冶新域置業有限公司)	Subsidiary	25,000.00	2012/09/26 to 2013/09/26	6.60	Real estate industry	None	No	No	No	No	No	1,650.00	440.64	
31	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)	Subsidiary	1,850.00	2007/6/14 to 2007/10/15	0.05% each day	Real estate industry	Guaranteed by Dalian Xi Gang Branch of Shenzhen Development Bank,	Yes	No	No	Yes (the verdict has been made)	No	–	–	Note 3

Note 1: Prior to the transfer of underlying equity interest in Huludao Nonferrous held by the Company to MCC Group, the controlling shareholder, on 31 December 2012, Huludao Nonferrous was a non-wholly owned subsidiary of the Company. After the entrusted loans provided in favor of Huludao Nonferrous were overdue, the Company had demanded repayment by issuing a demand letter for several times and had reviewed its application for payment extension of the entrusted loan. After taking various relevant factors it proposed into consideration, the Company agreed with such extension up to 27 September 2012. As at 27 May 2012, all entrusted loans provided by the Company in favor of Huludao Nonferrous had been repaid.

Note 2: As disclosed in the Company's 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. ("MCC 20 Group"), 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. In 2011, RMB1.50 million has been repaid to MCC 20 Group upon the execution of the court. During the Reporting Period, the assets of Dalian Haoyi were frozen, with the value of relevant assets amounting to approximately RMB33 million, while the approval procedures on auction are in process in accordance with the requirements of the court.

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(III) Use of proceeds and particulars of projects undertaken

1. *Overall status of the use of proceeds*

(1) Overall status of the use of proceeds

The Company raised net proceeds of HK$15.585 billion 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$576 million. As at the end of the Reporting Period, the used H Share proceeds amounted to HK$10.909 billion, while the balance of unused H Share proceeds amounted to HK$4.912 billion (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 billion 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 RMB695 million. As at the end of the Reporting Period, the A Share proceeds already used amounted to RMB13.784 billion, while the unused portion amounted to RMB4.787 billion (including interest accrued from proceeds deposited in the bank and unutilised 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) Substitution of proceeds raised during the Reporting Period

The 2012 first extraordinary general meeting held on 29 October 2012 considered and approved the substitution of proceeds from A share proceeds of RMB282 million for the self-raised funds which has already been invested in the large multi-ram die forgings and heavy equipment automation industrial base construction project. As at 13 November 2012, the Company had completed the substitution of previously invested self-raised funds used in projects with A share proceeds aggregated to RMB282 million as mentioned above (for details, please refer to the overseas regulatory announcement published by the Company on 15 November 2012).

(3) Capital raised during the Reporting Period to temporarily supplement the liquidity and its repayment

It was resolved at the 28th meeting of the first session of the Board held by the Company in October 2011 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 utilised RMB1.735 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 25 April 2012 (for details, please refer to the overseas regulatory announcement published by the Company on 26 April 2012).

It was resolved at the 40th meeting of the first session of the Board held by the Company in August 2012 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 (For details, please refer to the overseas regulatory announcement published by the Company on 30 August 2012). Pursuant to the above resolution, the Company and its subsidiaries had utilised RMB1.702 billion of aggregate unused A Share proceeds to temporarily replenish working capital. As at 25 February 2013, the Company had repaid all the fund above to its A Share proceeds account.

2. *Use of proceeds for projects undertaken*

(1) Use of proceeds in projects undertaken to be financed by H Share proceeds

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	216,250.04	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			1,090,864.32			

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

Unit: RMB0'000

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested(1)	Amount of proceeds to be invested as at the end of the period (2)	amount of proceeds invested in the current year	Actual amount of proceeds invested (3)	Is it up to schedule	Project progress =(3)/(1)	Percentage of projects falling behind schedule as at the end of the Reporting Period =(3)/(2)	Estimated revenue	Revenue generated	Is it in line with estimated returns	Explanation of projects falling behind schedule or failing to achieve revenue as expected
Afghanistan Aynak copper mine project	No	85,000.00	85,000.00	0	0.00	No	0.00%	0.00%	Internal rate of return of 11.01%	Cannot be confirmed until completion of the project	–	The infrastructure stripping and large scale construction could be commenced upon the handover of land ownership by the Afghanistan government due to excavation of relics in the mining area, land requisition and village relocation. As at the end of the Reporting Period, pursuant to the confirmed relocation plan, the Afghanistan government carried out land requisition that involves village relocation. The experts of relics designated by the Afghanistan government had been excavating relics in the most urgent sites of the mining area in operation. At present, the Afghanistan government is putting more effort in the excavation of relics. 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	0	250,000.04[Note1]	Yes	100.00%	100.00%	Internal rate of return of 12.67%	Cannot be confirmed until completion of the project	–	The project was completed and commenced production in December 2012 and it is under trial run.
The innovation base project of the National Steel Structures Engineering Technology Research Center	Yes	75,000.00[Note2]	74,600.00	8,737.00	42,221.17	No	56.29%	56.60%	N/A	N/A	N/A	The project is under progress and part of the proceeds has not been put in place.
Equipment purchase for engineering, contracting and research and development	No	500,000.00	480,000.00	17,025.21	188,539.77	No	37.71%	39.28%	Internal rate of return of 15.99%	Cannot be confirmed until completion of the project	–	Equipment purchase was under progress and actual proceeds used were below the planned amount.
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	0	64,300.00	Yes	100.00%	100.00%	Internal rate of return of 10.65%	Cannot be confirmed until completion of the project	–	All of the construction and inspection procedures of the project, as well as its debugging and trial run, were completed. The trial production of project equipment ran smoothly. Since the project has not been ramped up to its production capacity, the revenue to be generated from the project cannot be estimated.
The project in Caofeidian, Tangshan in relation to 500,000 tons of cold bend steel and steel structures project	No	44,000.00	44,000.00	0	44,044.10[Note1]	Yes	100.00%	100.00%	Internal rate of return of 17.60%	Profit accumulated to RMB15.5824 million	Yes	

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Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested(1)	Amount of proceeds to be invested as at the end of the period (2)	amount of proceeds invested in the current year	Actual amount of proceeds invested (3)	Is it up to schedule	Project progress =(3)/(1)	Percentage of projects falling behind schedule as at the end of the Reporting Period =(3)/(2)	Estimated revenue	Revenue generated	Is it in line with estimated returns	Explanation of projects falling behind schedule or failing to achieve revenue as expected
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	34,500.00	1,874.70	19,413.33	No	56.27%	56.27%	Internal rate of return of 20.90%	Cannot be confirmed until completion of the project	–	The production line is working smoothly. The budget for completing the project has not been concluded. Part of the investment has been settled.
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 [Note3]	0.00	0	0.00	–	–	–	–	–	–	As approved at the 2010 annual general meeting, the project had been entirely changed to "large multi-ram die forgings and heavy equipment automation industrial base construction project".
Large multi-ram die forgings and heavy equipment automation industrial base construction project	No	48,200.00 [Note3]	40,000.00	34,253.97	34,253.97	No	71.07%	85.63%	Internal rate of return of 17.10%	Cannot be confirmed until completion of the project	–	Actual proceeds used were below the planned amount. The production line of 40MN multi-ram forging hydraulic pressure machine operated well during trial production. The 120MN multi-ram forging hydraulic pressure machine is undergoing technical analysis.
Land development project in Gaohang Town, Pudong	No	58,800.00	58,800.00	0	58,800.00	Yes	100.00%	100.00%	Internal rate of return of 16.35%	Profit accumulated to RMB570.4082 million	Yes	
The property development project of old town area renovation work (Phase II) in Yuan Yang Old Town, Jing Kai Yuan, North New District, Chongqing	No	50,000.00	50,000.00	7,634.60	50,693.73 [Note1]	Yes	100%	100%	Internal rate of return of 29.07%	Profit accumulated to RMB215.3630 million	–	The construction of the project was drawn to an end and most of the residential products have obtained the filing and registration certification for verification of the completion of construction and engineering. And the settlement for the engineering of the project has been in progress. The residential products sold in advance have been continuously delivered to the property owners in batches since the end of October 2012.
Replenishment of working capital and repayment of bank loans	No	475,000.00 [Note2]	475,000.00	0	475,000.00	N/A	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	0	151,097.24	N/A	N/A	N/A	N/A	N/A	N/A	
Subtotal		1,835,897.24		69,525.48	1,378,363.35							

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Note 1: the actual amount of proceeds invested in the Ramu nickel laterite mine project, the project in Caofeidian, Tangshan in relation to 500,000 tons of cold bend steel and steel structures project and the property development project of old town area renovation work (Phase II) in Yuan Yang Old Town, Jing Kai Yuan, North New District, Chongqing in excess 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 annual general meeting 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, had been changed as replenishment of working capital of the Company.

Note 3: upon consideration and approval at the 2010 annual general meeting 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 changed to "large multi-ram die forgings and heavy equipment automation industrial base construction project".

(IV) MAJOR PROJECTS NOT INVESTED BY PROCEEDS

During the Reporting Period, the Company had no major project not invested by proceeds with total investment exceeding 10% of its net assets as at the end of the previous year.

V. CONNECTED TRANSACTIONS

Transactions between the Company and its connected persons (as defined in the Hong Kong Listing Rules) constitute connected transactions and continuing connected transactions of the Company under Chapter 14A of 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 amount of continuing connected transactions of the Company in 2012.

Unit: RMB million

Item	Transaction	Annual Cap for 2012	As at the year ended 31 December 2012
A.	**Continuing Connected Transaction with Pansteel**		
	1 Provision of integrated products to the Company by Pansteel	500	104
	2 Provision of services to Pansteel by the Company	6,000	2,350
B	**Continuing Connected Transaction with Wusteel**		
	3 Provision of integrated products to the Company by Wusteel	1,300	90
	4 Provision of services to Wusteel by the Company	4,200	1,244
C	**Continuing Connected Transaction with the Parent Group**		
	5 Leasing of properties from the Parent Group to the Company	90	38
	6(a) Provision of raw materials, products and services to the Company by the Parent Group	370	41
	6(b) Provision of raw materials, products and services to the Parent Group by the Company	950	93

2. 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》) was resolved at the 33rd meeting of the first session of the Board held by the Company on 27 to 29 March 2012. It was resolved to determine the caps of various continuing connected transactions entered into between the Company and Wusteel from 2012 to 2014 according to the regulatory rules. Relevant caps were considered and approved at the 2011 AGM and the details are as follows:

Unit: RMB0'000

Type of continuing connected transaction	2012	2013	2014
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 announcement of "New Annual Caps for Continuing Connected Transactions with Wusteel in Respect of 2012-2014(《新訂與武鋼二零一二年至二零一四年持續關連交易年度上限》)" published by the Company on 29 March 2012.

REPORT OF DIRECTORS

3. The "Resolution on the Related Matters of Renewal of Agreements of Connected Transactions" (《關於關聯／連交易協定續簽等相關事宜的議案》) was resolved at the 33rd meeting of the first session of the Board held by the Company on 27 to 29 March 2012, and the followings had been approved:

   (1) to renew "Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement" entered into between the Company and MCC Group on 5 December 2008, with an agreed period of 3 years, and the caps of the relevant continuing connected transactions are as follows:

   Unit: RMB0'000

Type of continuing connected transaction	2012	2013	2014
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

   (2) According to the result of assessment of the rent payable, the Company re-launched the decision making process of the ten-year term Properties Leasing Agreement which was entered into between the Company and MCC Group on 5 December 2008 and agreed to further execute such agreement. For details, please refer to the Company's announcement of "Renewal and Assessment of Continuing Connected Transaction Agreements" (《有關持續關連交易協議的續簽及評估》) published on 29 March 2012.

4. Under the arrangement of the Parent's reorganisation, certain properties, buildings and pipeline trenches originally held by Chaoyang Jinchang Mining Co., Ltd. ("Chaoyang Jinchang"), a subsidiary of the Company, were disposed to Beijing Dongxing Metallurgical New-Tech & Development Corp. ("Dongxing Company"), a subsidiary of the Parent, by way of transfer through agreement in 2008, while Chaoyang Jinchang leased these assets from Dongxing Company. In order to maintain the integrity of the assets of Chaoyang Jinchang and reduce rental expenses, the repurchase of properties, buildings and pipeline trenches by Chaoyang Jinchang from Dongxing Company was resolved at the 33rd meeting of the first session of the Board held by the Company on 27 to 29 March 2012 (for details, please refer to the announcement of "Acquisition of Certain Assets of Properties, Buildings and Pipeline Trenches" (《購買房產、構築物和管道溝槽等資產》) published by the Company on 29 March 2012). According to the result of assessment, the final amount of appraised value of such transaction was RMB62.7978 million. As at the end of Reporting Period, the transaction was completed.

5. Huludao Nonferrous, which was owned as to 51.06% by the Company, had obsolete equipment, heavy social burden and continuous indebtedness problem. Therefore, it was difficult to achieve a turnaround in short term. In order to maintain the stable development of MCC, on 31 December 2012, the Company transferred its 51.06% equity interest in Huludao Nonferrous to MCC Group, the controlling shareholder of the Company, at a consideration of RMB1 (for details, please refer to the announcement of Connected Transaction published by the Company on 31 December 2012).

On 5 February 2013, the Company entered into the Loan Transfer Agreement with MCC Group in Beijing, pursuant to which the Company transferred to MCC Group loans owed by Huludao Nonferrous amounting to approximately RMB7.75 billion (as at the reference date of 31 December 2012) at an estimated consideration of RMB859.823 million. Under the Loan Transfer Agreement, the amount of the final total repayment from Huludao Nonferrous (or its successor) in respect of such loans in excess of the transfer price shall belong to the Company, and MCC Group shall deliver such excess amount to the Company within 30 days upon receipt (for details, please to the announcement of Connected Transaction published by the Company on 5 February 2013).

Upon completion of the aforesaid two transfers, the Company did not hold any equity interests or loans in Huludao Nonferrous and any subsequent losses incurred by Huludao Nonferrous would no longer have any impact on the Company, which would benefit the Company's long term development.

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

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

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

(3) in accordance with relevant agreements governing them 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 on pages 44-46 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 connected transactions.

VI. DONATIONS

During the Reporting Period, there is no charity and other donations.

VII. PROPERTY, PLANT AND EQUIPMENT

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

VIII. SUBSIDIARIES AND ASSOCIATES

Details of our interests in our major subsidiaries and the interests in our major associates shared between the Company and our major subsidiaries on 31 December 2012 are set out in Note 46 of the consolidated financial statements.

REPORT OF DIRECTORS

IX. DIRECTORS AND SUPERVISORS

For information of the current Directors and Supervisors, please see "PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF" on pages 97-111 of this annual report.

X. 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 2012, 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 by the Directors or Supervisors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules 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 *(%)*
Directors							
Jing Tianliang	Chairman	A Shares	Long position	Beneficial owner	150,000	0%	0%
Shen Heting	President and executive Director	A Shares	Long position	Beneficial owner	150,000	0%	0%
Guo Wenqing	Vice Chairman and executive Director	A Shares	Long position	Beneficial owner	130,000	0%	0%
Chen Yongkuan	Independent non-executive Director	A Shares	Long position	Beneficial owner	30,000	0%	0%
		H Shares	Long position	Beneficial owner	100,000	0%	0%
Lin Jinzhen	Employee Representative Director (non-executive Director)	A Shares	Long position	Beneficial owner	60,000	0%	0%
Supervisors							
Shan Zhongli	Chairman of Supervisory Committee	A Shares	Long position	Beneficial owner	50,000	0%	0%
Peng Haiqing	Supervisor	A Shares	Long position	Beneficial owner	55,000	0%	0%
Shao Bo	Employee Representative Supervisor	A Shares	Long position	Beneficial owner	45,000	0%	0%
				Interests of spouse	1,000	0%	0%

Save as disclosed above and as at 31 December 2012, 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 by Directors or Supervisors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

OTHER 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 2012, 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	80,000	0%	0%
Li Shiyu	Vice President and Chief Accountant (chief financial officer)	A Shares	Long position	Beneficial owner	80,000	0%	0%
Zhang Zhaoxiang	Vice President	A Shares	Long position	Beneficial owner	80,000	0%	0%
Wang Xiufeng	Vice President	A Shares	Long position	Beneficial owner	80,000	0%	0%
Kang Chengye	Secretary to the Board and Joint Company Secretary	A Shares	Long position	Beneficial owner	80,000	0%	0%

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

As at 31 December 2012, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance:

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	172,800,000	Long position	6.02	0.9
China Life Insurance (Overseas) Company Limited *(Note)*	Beneficial owner	172,800,000	Long position	6.02	0.9

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 2012, no other person or corporation was recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance as having an interest or short position in the Company's share capital that would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

REPORT OF DIRECTORS

XI. MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the amount of purchase from top five suppliers of the Company accounted for not more than 10% of the purchase amount of the Company, while aggregate revenue from top five customers of the Company accounted for not more than 10% of the total revenue of the Company.

XII. 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.

XIII. 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.

XIV. RESERVES AND DISTRIBUTABLE RESERVES

Details of changes in reserves of the Company during the Reporting Period are set out in the Consolidated Statement of Changes in Equity on pages 137 to 138 of this report and Note 22 of the consolidated financial statements.

In accordance with the Articles of Association of the Company, the reserve available for distribution for relevant period is the lower of the amounts as shown in the financial statements prepared in accordance with the PRC GAAP and the IFRSs should there be any discrepancy between them.

In accordance with the PRC Company Law, the profits after tax may be distributed as dividends after being appropriated to statutory reserves. As at 31 December 2012, the Company had a distributable reserve of approximately RMB3,998 million.

XV. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company 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 the bank loans and other borrowings of the Company are set out in Note 24 of the consolidated financial statements.

REPORT OF DIRECTORS

XVII. 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.

XVIII. COMPETITION

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

XIX. 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	Interest percentage of the development projects attributable to the Company
		s.q.m.	*s.q.m.*				
Land parcels G32 & G33 at Xiaguan District, Nanjing City, Jiangsu Province	Commercial	632,707.50	2,780,000.00	Under construction		2017	98.52%
Tieshanping, Jiangbei District, Chongqing City (重慶市江北區鐵山坪)	Commercial and residential	678,259.00	218,634.00	Under construction	10.00%	2017/6/30	100.00%
Land lot in Gengyang, Fengrun District, Tangshan City, Hebei Province (河北省唐山市豐潤區浭陽地塊)	Commercial and residential	770,000.00	2,494,900.00	Under construction	28.00%	2020	100.00%
Land lot for low-to-medium-priced commodity housing in Lianhui Village, Jianye District, Nanjing City, Jiangsu Province (江蘇省南京市建鄴區蓮花村中低價商品房地塊)	Complex residential for villages	137,464.60	459,650.20	Under construction	80.00%	2013	60.00%
Land lot in Pi Xian, Chengdu City, Sichuan Province (四川省成都市郫縣地塊)	Commercial	81,477.95	384,219.43	Under construction		2014	100.00%
Road 7, Yishun District, Singapore (新加坡義順7道)	Residential	27,154.00	74,316.45	Under construction	22.09%	2014	100.00%
61 Chang Qing Lu, Qiqihar City (齊齊哈爾市長青路61號)	Property development	647,657.00	1,295,314.00	Under construction	70% of Phase I with a GFA of 32 s.q.m. is completed	Phase I is expected to be completed in 2014	90.00%
Sembawang apartment, Singapore	Residential	22,567.80	34,266.73	Under construction	90.54%	2013	100.00%
Chaoyang District, Beijing City	Office and commercial	11,198.72	57,767.00	Under construction	90.00%	2013	100.00%

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Location	Current use of land	Occupied area	Floor area	Status of project	Progress towards completion	Estimated completion date	Interest percentage of the development projects attributable to the Company
		s.q.m.	*s.q.m.*				
Road 11, Yishun District, Singapore (新加坡義順11道)	Residential	15,074.07	46,412.84	Under construction	81.54%	2013	100.00%
Rare Earth Development Zone Baotou City, Inner Mongolia (內蒙古包頭市稀土開發區)	Commercial	221,821.54	808,937.79	Under construction	30.00%	2015	60.00%
Intersection between Hong Qi Lu and Nan Huan Lu, Jinnan District (津南區紅旗路與南環路交口)	Property development	184,738.00	460,462.84	Under construction	60.00%	2016/12/31	51.00%
Xiaoyuan South Road, Kun District, Baotou City, Inner Mongolia (內蒙古包頭市昆區校園南路)	Property development	86,800.00	195,800.00	Under construction	10.00%	2015	70.00%
Land lot on Wutong Main Road, Lubei District, Tangshan City, Hebei Province (河北省唐山市路北區梧桐大道地塊)	Commercial and residential	134,338.62	331,598.75	Under construction	100.00%	2017	51.00%
Dalian International Commercial City and MCC Blue City, Dalian City, Liaoning Province (遼寧省大連市大連國際商務城 中冶藍城)	Commercial and residential	377,789.00	418,047.00	Under construction	50.00%	2013/10/30	60.00%
North Wing, Customs Service Area, Hengqin New District, Zhuhai City (珠海市橫琴新區口岸服務區口岸北側)	Office and commercial	14,549.60	106,156.30	Under construction	Retaining and protecting for foundation excavation	2015.6	51.00%
"MCC-Chang'an Dadu" project in Qujiang New District, Xi'an City, Shaanxi Province (陝西省西安市曲江新區 中冶·長安大都 項目)	Residential	80,197.90	247,206.00	Under construction	60.00%	2016	100.00%
North of Yushan Lu and east of Gu Yang Lu, Jingkou District, Zhenjiang City, Jiangsu Province (江蘇省鎮江市京口區禹山路北 谷陽路東)	Commercial and residential	60,412.60	73,177.18	Under construction	90.00%	2015/12/1	65.00%
Land lot on Nanyang Road, Lvyuan District, Changchun City, Jilin Province (吉林省長春市綠園區南陽路地塊)	Commercial and residential	166,719.00	327,381.00	Under construction	40.00%	2013/12/31	89.50%
1122 Jinkai Main Road, Northern New District, Chongqing City (重慶市北部新區金開大道1122號)	Commercial and residential	124,399.00	294,214.00	Under construction	90.00%	2013/12/31	100.00%

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Location	Current use of land	Occupied area	Floor area	Status of project	Progress towards completion	Estimated completion date	Interest percentage of the development projects attributable to the Company
		s.q.m.	*s.q.m.*				
Yantai CBD, Mouping District, Yantai City, Shandong Province (山東省煙臺市牟平區煙台商務圈)	Commercial and residential	400,000.00	260,000.00	Under construction	35.00%	2017/5/30	51.00%
Damofang project, New Hi-tech District, Chengdu City, Sichuan Province (四川省成都市高新區大魔方項目)	Mixed	126,602.27	950,123.48	Under construction	12.00%	2017	51.00%
Jin'an Area, Jinjiazhuang District, Ma'anshan City, Anhui Province (安徽省馬鞍山市金家莊區金安小區)	Settlement residence	397,340.74	488,064.91	Under construction	88.50%	2014	100.00%
MCC Blue City, Fangshan District, Beijing City (北京市房山區中冶藍城)	Residential	61,100.00	157,721.00	Under construction	1.00%	2015/7/31	65.00%
Land lot in the original infrastructure village, Jiulongpo District, Chongqing City (重慶市九龍坡區原基建村地塊)	Residential	51,852.00	273,566.00	Under construction	51.20%	2016	100.00%
Jinfu Garden, Yushan District, Ma'anshan City, Anhui Province (安徽省馬鞍山市雨山區金福花園)	Settlement residence	346,751.72	624,583.52	Under construction	66.10%	2015	100.00%
Enclosed area east to Chen Jia Wan Gang, New Feng Jing Pian District, Feng Jing Cun, south to Feng Lan Road, west to Jing Bo Lu and north to Feng Mei Road (楓涇鎮新楓涇片區的陳家灣港以東，楓蘭路以南，涇波路以西，楓美路以北所圍合的區域)	Ordinary commodity housing	103,065.00	143,065.05	Under construction	50.00%	2014	100.00%
Land lot on hill No. 38 and No. 27/2, 397 Street, Pangpu Town, Zhabei District, Shanghai City (上海市閘北區彭浦鎮397街坊38丘和27/2丘地塊)	Office and commercial	17,783.70	44,459.25	Under construction	55.00%	2014/3/1	40.00%
Land lot in G56-1, Paojiang New District, Shaoxing City, Zhejiang Province (浙江省紹興市袍江新區G56-1地塊)	Commodity housing	187,065.00	261,967.29	Under construction	43.00%	2015	95.00%
Bai Shan Jie Lushunkou District, Dalian City (大連市旅順口區白山街)	Property development	277,252.00	283,670.98	Under construction	10.00%	2015/12/31	70.00%

Location	Current use of land	Occupied area *s.q.m.*	Floor area *s.q.m.*	Status of project	Progress towards completion	Estimated completion date	Interest percentage of the development projects attributable to the Company
4368 Alley, Zhennan Road, Jiading District, Shanghai City (上海市嘉定區真南路4368弄)	Office, Commercial and residential	53,630.90	202,661.70	Completed	Completed	Completed	70.00%
Taihu Road, Development Area, Kunshan City, Jiangsu Province (江蘇省昆山市開發區太湖路)	Commercial	33,453.00	118,524.21	Under construction	90.00%	2013/9/30	83.00%
Yvdai Bay, Haigang District, Qinhuangdao City, Hebei Province (河北省秦皇島市海港區玉帶灣)	Property development	213,688.34	582,061.69	Under construction	40.00%	2017/12/31	100.00%
Reconstruction area of the Jinyuchi Project Phase II, Chongwen District (崇文區金魚池二期危改小區)	Commercial, office, apartment, courtyard house and basement cark park	39,432.55	115,040.81	Held for sale	100.00%	2009	100.00%
Lot B at the northern Ci Lake, Huangshi City, Hebei Province (湖北省黃石市磁湖北岸B地塊)	Commercial and residential	244,021.50	424,597.41	Under construction	30.00%	2016	100.00%
Land lot on Yu Hua Dao, Lubei District, Tangshan City, Hebei Province (河北省唐山市路北區裕華道地塊)	Commercial and residential	61,060.89	183,182.67	Under construction	50.00%	2016	0.00%

XX. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE HONG KONG LISTING RULES

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 and the Corporate Governance Code effective from 1 April 2012, 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.

REPORT OF DIRECTORS

XXI. AUDITORS

After consideration and approval in the 2011 AGM, the Company appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as its international and domestic auditors for the year ended 31 December 2012 respectively, and appointed PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the internal control auditor of the Company for the year 2012. The financial statements prepared in accordance with IFRSs have been audited by PricewaterhouseCoopers. A resolution for the appointments of the international auditor, domestic auditor and internal control auditor of the Company respectively for the year ending 31 December 2013 will be submitted to the 2012 AGM of the Company for consideration and approval after separate review.

XXII. FULFILMENT OF SOCIAL RESPONSIBILITIES

During the Reporting Period, the Company was not involved in any situation of industries of heavy pollution as stipulated by the national departments of environmental protection. The Company has prepared the Social Responsibility Report 2012 of Metallurgical Corporation of China Ltd.* pursuant to relevant requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

I. OVERVIEW

For the year ended 31 December 2012, the Company's revenue amounted to RMB216,242 million, representing a decrease of 2.64% over the same period last year. Loss attributable to equity holders of the Company amounted to RMB6,952 million, of which loss attributable to equity holders of the Company from continuing operations amounted to RMB1,574 million. For the year ended 31 December 2012, basic loss per share amounted to RMB0.36, of which basic loss per share from continuing operations amounted to RMB0.08.

The following is the financial results for the year ended 31 December 2012 compared to the year ended 31 December 2011.

II. CONSOLIDATED OPERATING RESULTS

1. Revenue

The Company is mainly engaged in engineering and construction, equipment manufacturing, resources development, property development and other business. For the year ended 31 December 2012, the revenue of the Company amounted to RMB216,242 million, representing a decrease of RMB5,871 million or 2.64% as compared with RMB222,113 million for the year ended 31 December 2011. The decrease was mainly attributable to the decreases in the segment revenues of engineering and construction, equipment manufacturing, resources development and other business segments (before inter-segment elimination) by RMB5,653 million or 3.13%, RMB2,924 million or 20.55%, RMB2,288 million or 45.16%, and RMB773 million or 12.78% respectively, while segment revenue from property development (before inter-segment elimination) increased by RMB4,509 million, representing an increase of 21.76% as compared with last year.

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 2012, cost of sales of the Company amounted to RMB200,202 million, representing a decrease of RMB295 million or 0.15% as compared with RMB200,497 million in 2011.

In 2012, the gross profit of the Company amounted to RMB16,040 million, representing a decrease of RMB5,576 million or 25.80% as compared with RMB21,616 million in 2011. Gross profit margin of the Company was 7.42% for 2012, 2.31% lower than 9.73% for 2011.

In 2012, all the segments of the Company, namely engineering and construction, equipment manufacturing, resources development, property development and other businesses, recorded a gross profit of RMB14,128 million, RMB492 million, RMB-2,871 million, RMB4,642 million and RMB-40 million respectively, and the gross profit margins of engineering and construction, equipment manufacturing, resources development and property development businesses were 8.07%, 4.35%, -103.35% and 18.40% respectively (all before inter-segment elimination).

3. Operating profit

In 2012, the operating profit of the Company amounted to RMB4,706 million, representing a decrease of RMB6,022 million or 56.13% as compared with RMB10,728 million in 2011. The decrease was mainly attributable to the fact that the resources development segment recorded an operating loss of RMB3,697 million in 2012 as compared to an operating profit of RMB727 million in 2011. The equipment manufacturing business recorded an operating loss of RMB668 million as compared to an operating profit of RMB5 million in 2011. Other businesses recorded an operating loss of RMB258 million as compared to an operating profit of RMB120 million in 2011. The operating profit of the engineering and construction business decreased by RMB1,962 million or 24.52% as compared to 2011. The operating profit of the property development business increased by RMB1,734 million or 82.93% as compared to 2011 (all segments' data are before elimination of inter-segment transactions).

4. Finance income

The Company's finance income consisted mainly of interest income on bank deposits, interest income on loans to related parties and gain from debt restructuring. Finance income of the Company for 2012 amounted to RMB1,828 million, representing an increase of RMB205 million or 12.63% as compared with RMB1,623 million for 2011, 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, 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 RMB1,168 million or 33.12% from RMB3,527 million for 2011 to RMB4,695 million for 2012, mainly attributable to the increase in interest expense on borrowings.

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 RMB40 million or 71.43% from RMB56 million for 2011 to RMB16 million for 2012.

7. Profit before income tax

As a result of the foregoing, the Company's profit before income tax decreased by RMB7,025 million or 79.11% from RMB8,880 million for 2011 to RMB1,855 million for 2012.

8. Income tax expense

The Company's income tax expense increased by RMB5 million or 0.17% from RMB2,983 million for 2011 to RMB2,988 million for 2012. The Company's effective tax rate was 161.08% for 2012, up 127.49% from 33.59% for 2011, 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. Loss from discontinued operations

On 31 December 2012, the Company transferred its 51.06% equity interest in Huludao Nonferrous to MCC Group, the controlling shareholder of the Company. The loss from discontinued operations for 2012 amounted to RMB9,322 million as compared to a loss from discontinued operations of RMB2,185 million for 2011.

10. Loss attributable to non-controlling interests

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 2012 amounted to RMB3,503 million, while the loss attributable to non-controlling interests for 2011 amounted to RMB531 million.

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

Based on the above, the loss attributable to equity holders of the Company for 2012 amounted to RMB6,952 million, of which the loss from continuing operations amounted to RMB1,574 million. The profit attributable to equity holders of the Company for 2011 amounted to RMB4,243 million, of which the profit from continuing operations amounted to RMB4,907 million.

MANAGEMENT DISCUSSION AND ANALYSIS

III. DISCUSSION OF RESULTS BY SEGMENT

The following table sets forth the Group's revenue, gross profit and segment results for the years ended 31 December 2012 and 2011.

	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 results For the year ended 31 December		Segment results margin *(Note 1)* For the year ended 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	RMB million	*RMB million*	*RMB million*	*RMB million*	*%*	*%*	*RMB million*	*RMB million*	*%*	*%*
Engineering and construction	174,993	180,646	14,128	16,346	8.07%	9.05%	6,040	8,002	3.45%	4.43%
% of the total	79.69%	79.68%	86.40%	75.69%			115.22%	73.11%		
Equipment manufacturing	11,307	14,231	492	1,038	4.35%	7.29%	(668)	5	–5.91%	0.04%
% of the total	5.15%	6.28%	3.01%	4.81%			–12.74%	0.05%		
Resources development	2,778	5,066	(2,871)	1,599	–103.35%	31.56%	(3,697)	727	–133.08%	14.35%
% of the total	1.27%	2.23%	–17.56%	7.40%			–70.53%	6.64%		
Property development	25,226	20,717	4,642	2,391	18.40%	11.54%	3,825	2,091	15.16%	10.09%
% of the total	11.49%	9.14%	28.39%	11.07%			72.97%	19.10%		
Other businesses	5,276	6,049	(40)	222	–0.76%	3.67%	(258)	120	–4.89%	1.98%
% of the total	2.40%	2.67%	–0.24%	1.03%			–4.92%	1.10%		
Subtotal	219,580	226,709	16,351	21,596	7.45%	9.53%	5,242	10,945	2.39%	4.83%
Inter-segment elimination	(3,338)	(4,596)	(311)	20			(311)	20		
Total	216,242	222,113	16,040	21,616	7.42%	9.73%	4,931	10,965	2.28%	4.94%
Unallocated administrative expenses							(225)	(237)		
Total operating profit							4,706	10,728		

Note 1: Segment results margin represents segment results 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the principal results for engineering and construction business for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Segment revenue	**174,993**	180,646
Cost of sales	**(160,865)**	(164,300)
Gross profit	**14,128**	16,346
Selling and marketing expenses	**(729)**	(745)
Administrative expenses	**(8,243)**	(8,503)
Other income and gains	**884**	904
Segment results	**6,040**	8,002
Depreciation and amortisation	**1,529**	1,289

Segment revenue. Segment revenue from engineering and construction business decreased by RMB5,653 million or 3.13% from RMB180,646 million for 2011 to RMB174,993 million for 2012. The decrease was mainly attributable to the slight decrease in the revenue from the implementation of previously undertaken projects and new projects and the substantial decrease in the revenue of MCC Mining (Western Australia) Pty Ltd., a subsidiary of the Company, during the period.

Cost of sales and gross profit. Cost of sales of engineering and construction business decreased by RMB3,435 million or 2.09% from RMB164,300 million for 2011 to RMB160,865 million for 2012. Percentage of cost of sales against segment revenue increased to 91.93% for 2012 from 90.95% for 2011.

Gross profit generated from the engineering and construction business decreased by RMB2,218 million or 13.57% from RMB16,346 million for 2011 to RMB14,128 million for 2012. Gross profit margin of engineering and construction business decreased to 8.07% for 2012 from 9.05% for 2011. The decrease was mainly attributable to the decrease in contribution of income from projects with high gross profit margin and the substantial loss incurred by MCC Mining (Western Australia) Pty Ltd., a subsidiary of the Company.

Selling and marketing expenses. Selling and marketing expenses incurred for the engineering and construction business decreased by RMB16 million or 2.15% from RMB745 million for 2011 to RMB729 million for 2012.

Administrative expenses. Administrative expenses incurred for the engineering and construction business decreased by RMB260 million or 3.06% from RMB8,503 million for 2011 to RMB8,243 million for 2012.

Other income and gains. Other income and gains for the engineering and construction business decreased by RMB20 million or 2.21% from RMB904 million for 2011 to RMB884 million for 2012.

Segment results. Segment results of the engineering and construction business decreased by RMB1,962 million or 24.52% from RMB8,002 million for 2011 to RMB6,040 million for 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

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 results for equipment manufacturing business for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Segment revenue	**11,307**	14,231
Cost of sales	**(10,815)**	(13,193)
Gross profit	**492**	1,038
Selling and marketing expenses	**(271)**	(262)
Administrative expenses	**(1,179)**	(1,052)
Other income and gains	**290**	281
Segment results	**(668)**	5
Depreciation and amortisation	**548**	588

Segment revenue. Segment revenue from the equipment manufacturing business decreased by RMB2,924 million or 20.55% from RMB14,231 million for 2011 to RMB11,307 million for 2012. The decrease was mainly attributable to the substantial decrease of sales resulted from strategically suspended production of CERI Yingkou Equipment Development and Manufacturing Co., Ltd. (中冶京誠（營口）裝備技術有限公司), a subsidiary of the Company. In the meantime, the decrease in revenue was also attributable to the effect caused by the decrease in business volume and drop in price suffered by other subsidiaries of the Company engaged in equipment manufacturing.

Cost of sales and gross profit. Cost of sales incurred from the equipment manufacturing business decreased by RMB2,378 million or 18.02% from RMB13,193 million for 2011 to RMB10,815 million for 2012. Percentage of cost of sales against segment revenue increased to 95.65% for 2012 from 92.71% for 2011.

Gross profit of the equipment manufacturing business decreased by RMB546 million or 52.60% from RMB1,038 million for 2011 to RMB492 million for 2012. Gross profit margin of the equipment manufacturing business decreased to 4.35% in 2012 from 7.29% for 2011. The decrease was mainly attributable to the substantial increase in the cost of sales following the substantial inventory impairment provision made by the loss-generating enterprises. Meanwhile, the substantial decrease in gross profit margin of CERI Yingkou Equipment Development and Manufacturing Co., Ltd. (中冶京誠（營口）裝備技術有限公司), a subsidiary of the Company, was another reason for the decrease in gross profit margin of the equipment manufacturing business.

Selling and marketing expenses. Selling and marketing expenses incurred for the equipment manufacturing business increased by RMB9 million or 3.44% from RMB262 million for 2011 to RMB271 million for 2012.

Administrative expenses. Administrative expenses incurred for the equipment manufacturing business increased by RMB127 million or 12.07% from RMB1,052 million for 2011 to RMB1,179 million for 2012, mainly attributable to the increase in expenses resulted from the suspension of production of CERI Yingkou Equipment Development and Manufacturing Co., Ltd. (中冶京誠(營口)裝備技術有限公司), a subsidiary of the Company.

Other income and gains. Other income and gains for the equipment manufacturing business increased by RMB9 million or 3.20% from RMB281 million for 2011 to RMB290 million for 2012.

Segment results. Segment results of the equipment manufacturing business recorded a loss of RMB668 million for 2012, as compared with a profit of RMB5 million for 2011.

3. Resources development

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

The following table sets forth the principal results for resources development business for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Revenue	**2,778**	5,066
Cost of sales	**(5,649)**	(3,467)
(Loss on sales)/gross profit	**(2,871)**	1,599
Selling and marketing expenses	**(169)**	(199)
Administrative expenses	**(630)**	(570)
Other expenses	**(27)**	(103)
Segment results	**(3,697)**	727
Depreciation and amortisation	**429**	336

Segment revenue. Segment revenue of resources development business decreased by RMB2,288 million or 45.16% from RMB5,066 million for 2011 to RMB2,778 million for 2012, mainly attributable to the decrease of sales volume and selling price in the market.

Cost of sales and (loss on sales)/gross profit. Cost of sales incurred from resources development business increased by RMB2,182 million or 62.94% from RMB3,467 million for 2011 to RMB5,649 million for 2012. Cost of sales in revenue increased from 68.44% for 2011 to 203.35% for 2012. The increase in percentage of the cost of sales against revenue was caused by the fact that the fall in sales prices exceeded the fall in costs, despite the great efforts of the Company exerted in minimising the cost.

MANAGEMENT DISCUSSION AND ANALYSIS

The resources development business recorded a gross loss of RMB2,871 million for 2012 as compared to a gross profit of RMB1,599 million for 2011. Gross profit margin of the resources development business decreased from 31.56% for 2011 to -103.35% for 2012, mainly attributable to the lower gross profit margin or even gross loss of a number of the Company's subsidiaries, which were engaged in resources development, resulted from the decrease in sales volume and selling price and the provision on exploration rights, inventory, plant and equipment made.

Selling and marketing expenses. Selling and marketing expenses incurred for resources development business decreased by RMB30 million or 15.08% from RMB199 million for 2011 to RMB169 million for 2012.

Administrative expenses. Administrative expenses incurred for the resources development business increased by RMB60 million or 10.53% from RMB570 million for 2011 to RMB630 million for 2012, mainly attributable to the increase in loss resulted from the suspension of production of Luoyang China Silicon Hi-tech Corporation (洛陽中硅高科技有限公司), a subsidiary of the Company.

Other expenses. Other expenses for the resources development business amounted to RMB27 million for 2012, while other expenses for the resources development business amounted to RMB103 million for 2011.

Segment results. Segment results of the resources development business was a loss of RMB3,697 million for 2012, while a profit of RMB727 million was recorded in 2011. The loss from the segment results of the resources development business for 2012 was mainly attributable to the lower gross profit margin or even gross loss of a number of the Company's subsidiaries, which were engaged in resources development, resulted from decrease in sales volume and selling price. In the meantime, the provision for impairment on exploration rights made by MCC Australia Holding Pty Ltd. (中冶澳大利亞控股有限公司), and on inventory, plant and equipment made by Luoyang China Silicon Hi-tech Corporation (洛陽中硅高科技有限公司), both subsidiaries of the Company, was another reason for the loss.

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 results for property development business for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Revenue	**25,226**	20,717
Cost of sales	**(20,584)**	(18,326)
Gross profit	**4,642**	2,391
Selling and marketing expenses	**(363)**	(509)
Administrative expenses	**(634)**	(641)
Other income and gains	**180**	850
Segment results	**3,825**	2,091
Depreciation and amortisation	**50**	45

Segment revenue. Segment revenue of property development business increased by RMB4,509 million or 21.76% from RMB20,717 million for 2011 to RMB25,226 million for 2012. The increase was mainly attributable to the revenue from a number of commodity property projects that were ready for sales recognized in 2012.

Cost of sales and gross profit. Cost of sales incurred from the property development business increased by RMB2,258 million or 12.32% from RMB18,326 million for 2011 to RMB20,584 million for 2012. Percentage of the cost of sales against segment revenue decreased from 88.46% for 2011 to 81.60% for 2012.

Gross profit of the property development business increased by RMB2,251 million or 94.14% from RMB2,391 million for 2011 to RMB4,642 million for 2012. Gross profit margin of the property development business increased from 11.54% for 2011 to 18.40% for 2012, mainly attributable to the increase in revenue recognized from commodity property projects with higher gross profit margin.

Selling and marketing expenses. Selling and marketing expenses incurred for the property development business decreased by RMB146 million or 28.68% from RMB509 million for 2011 to RMB363 million for 2012.

Administrative expenses. Administrative expenses incurred for property development business decreased by RMB7 million or 1.09% from RMB641 million for 2011 to RMB634 million for 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gains. Other income and gains for the property development business for 2012 amounted to RMB180 million, representing a decrease of RMB670 million or 78.82% as compared with other income and gains of RMB850 million in 2011, which was mainly attributable to the decrease in investment income.

Segment results. Segment results of property development business increased by RMB1,734 million or 82.93% from RMB2,091 million for 2011 to RMB3,825 million for 2012, which was mainly attributable to the increase in revenue contribution from projects with higher gross profit margin.

5. **Other businesses**

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

The following table sets forth the principal results for other businesses for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Revenue	**5,276**	6,049
Cost of sales	**(5,316)**	(5,827)
(Loss on sales)/gross profit	**(40)**	222
Selling and marketing expenses	**(90)**	(78)
Administrative expenses	**(205)**	(73)
Other income and gains	**77**	49
Segment results	**(258)**	120
Depreciation and amortisation	**56**	44

Segment revenue. Segment revenue of other businesses decreased by RMB773 million or 12.78% from RMB6,049 million for 2011 to RMB5,276 million for 2012. Segment revenue of other businesses is mainly generated from the import and export trading. The decrease in revenue was mainly attributable to the market downturn which led to a decrease in trade volume.

Cost of sales and (loss on sales)/gross profit. Cost of sales incurred from other businesses decreased by RMB511 million or 8.77% from RMB5,827 million for 2011 to RMB5,316 million for 2012. Percentage of cost of sales against segment revenue increased to 100.76% for 2012 from 96.33% for 2011.

Other businesses recorded a loss on sales of RMB40 million for 2012 as compared to a gross profit of RMB222 million for 2011. Gross profit margin of other businesses decreased from 3.67% for 2011 to –0.76% for 2012, mainly attributable to the increase in the substantial inventory impairment provision made by the loss-generating enterprises.

Selling and marketing expenses. Selling and marketing expenses incurred for other businesses increased by RMB12 million or 15.38% from RMB78 million for 2011 to RMB90 million for 2012.

Administrative expenses. Administrative expenses incurred for other businesses increased by RMB132 million or 180.82% from RMB73 million for 2011 to RMB205 million for 2012, mainly attributable to the increase in the provision for impairment on trade and other receivables.

Other income and gains. Other income and gains for other businesses increased by RMB28 million or 57.14% from RMB49 million for 2011 to RMB77 million for 2012.

Segment results. Segment results of other businesses recorded a loss of RMB258 million for 2012 as compared to a profit of 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 the loans of the Company.

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 2012 and 2011.

	For the year ended 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Net cash generated from/ (used in) operating activities	**4,387**	(12,631)
Net cash used in investing activities	**(4,890)**	(7,875)
Net cash (used in)/generated from financing activities	**(10,113)**	23,989
Net (decrease)/increase in cash and cash equivalents	**(10,616)**	3,483
Cash and cash equivalents at the beginning of the year	**42,721**	39,302
Exchange losses on cash and cash equivalents	**(21)**	(64)
Cash and cash equivalents at the end of the year	**32,084**	42,721

2. Cash flows from operating activities

In 2012, the Company's net cash generated from operating activities amounted to RMB4,387 million as compared with net cash used in operating activities of RMB12,631 million in 2011. The cash flow from operating activities for 2012 was net inflow, mainly attributable to the cash inflow resulting from the repayment of advances prepaid by the Company for part of BT and property projects during the previous year. Meanwhile, factoring of receivables was another reason for the net cash inflow from operating activities of the Company.

3. Cash flows from investing activities

In 2012, the Company's net cash used in investing activities decreased by RMB2,985 million to RMB4,890 million as compared to RMB7,875 million in 2011, mainly attributable to the slowdown in the purchase and construction of property, plant and equipment and intangible assets for 2012.

4. Cash flows from financing activities

In 2012, the Company's net cash used in financing activities amounted to RMB10,113 million as compared to net cash generated from financing activities amounted to RMB23,989 million in 2011, mainly attributable to the payment of debts and interests.

5. Capital expenditures

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

The following table sets forth the capital expenditures of the Company by business for the years ended 31 December 2012 and 2011 respectively.

	For the year ended 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Engineering and construction business	**3,608**	4,547
Equipment manufacturing business	**1,298**	2,386
Resources development business	**2,604**	3,465
Property development business	**485**	160
Other businesses	**42**	16
Total	**8,037**	10,574

The Company's capital expenditures for the year ended 31 December 2012 amounted to RMB8,037 million, representing a decrease of RMB2,537 million or 23.99% from RMB10,574 million for the year ended 31 December 2011.

6. Working capital

Trade receivables and trade payables.

The following table sets forth the turnover days of the average trade receivables and the turnover days of the average trade payables of the Company for the years ended 31 December 2012 and 2011.

	For the year ended 31 December	
	2012	2011
	days	*days*
The turnover days of the average trade receivables *(1)*	**144**	117
The turnover days of the average trade payables *(2)*	**119**	110

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

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

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

	As at 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Less than one year	**63,032**	59,659
One to two years	**18,142**	15,102
Two to three years	**5,386**	3,108
Three to four years	**1,706**	1,213
Four to five years	**807**	721
Over five years	**1,005**	739
Total	**90,078**	80,542

As at 31 December 2012, the range in the aging of trade receivables remained fundamentally stable, with a modest increase in the proportion of trade receivables of all ages as compared with those as at 31 December 2011, mainly due to projects such as roads and bridges, public facilities and social welfare housing 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 2012 and 2011.

	As at 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Within one year	**51,966**	46,958
One to two years	**9,692**	9,060
Two to three years	**4,146**	2,821
Over three years	**2,923**	2,470
Total	**68,727**	61,309

7. Retentions

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

	As at 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Current portion	**2,941**	1,815
Non-current portion	**78**	278
Total	**3,019**	2,093

8. Assets-liabilities ratio

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

	As at 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Total liabilities	**273,433**	273,856
Total assets	**326,235**	332,031
Assets-liabilities ratio	**83.81%**	82.48%

9. Gearing ratio

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

	As at 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Total borrowings	**131,502**	137,161
Less: Cash and cash equivalents	**(32,084)**	(42,721)
Net debt	**99,418**	94,440
Total equity	**52,802**	58,175
Total capital	**152,220**	152,615
Gearing ratio	**65%**	62%

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

10. Cash and cash equivalents

The following table sets forth the cash and cash equivalents of the Company as at 31 December 2012 and 2011.

	As at 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Cash at bank and in hand	**29,071**	39,378
Bank deposits	**3,006**	3,343
Other deposits for investment	**7**	—
Cash and cash equivalents	**32,084**	42,721
Denominated in:		
— RMB	**29,721**	40,112
— USD	**1,592**	1,932
— EUR	**28**	66
— AUD	**133**	120
— Others	**610**	491
	32,084	42,721

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

As at 31 December 2012, the weighted average effective interest rate per annum on bank deposits was approximately 2.54% (2011: 2.18%).

V. INDEBTEDNESS

1. Borrowings

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

	As at 31 December	
	2012 *(RMB million)*	2011 *(RMB million)*
Non-current		
Long-term bank borrowings		
— Secured *(a)*	**10,543**	6,200
— Unsecured	**18,988**	24,634
	29,531	30,834
Other long-term borrowings		
— Secured *(a)*	**75**	75
— Unsecured	**6,011**	212
— Debentures *(b(i))*	**21,448**	21,364
	27,534	21,651
Total non-current borrowings	**57,065**	52,485
Current		
Short-term bank borrowings		
— Secured *(a)*	**1,615**	2,824
— Unsecured	**37,433**	42,171
	39,048	44,995
Other short-term borrowings		
— Secured *(a)*	**160**	1,315
— Unsecured	**3,305**	5,200
— Debentures *(b(ii))*	**21,400**	17,000
	24,865	23,515
Current portion of long-term bank borrowings		
— Secured *(a)*	**1,508**	2,274
— Unsecured	**9,016**	7,292
	10,524	9,566
Current portion of other long-term borrowings		
— Secured *(a)*	**—**	—
— Unsecured	**—**	6,600
	—	6,600
Total current borrowings	**74,437**	84,676
Total borrowings	**131,502**	137,161

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

(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 RMB9,971 million with a par value of RMB10,000 million, a maturity of ten years from issuance and interest rate of 3.95% per annum and with the issuer's redemption rights at the end of 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 at a discounted price of RMB4,686 million with a par value of RMB4,700 million, a maturity of five years from issuance and interest rate of 4.72% per annum.

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

(ii) As approved by the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Short-Term Debentures on 10 April 2012 at par value of RMB4,400 million, with a maturity of one year from issuance. The debentures are unsecured, and bear interests at a fixed rate of 4.46% per annum. Principal and interests are paid upon maturity date.

As approved by the National Association of Financial Market Institutional Investors, the Company issued its Tranche II Short-Term Debentures on 27 September 2012 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 4.48% per annum. Principal and interests are paid upon maturity date.

As approved by the National Association of Financial Market Institutional Investors, the Company issued its Tranche III Short-Term Debentures on 22 November 2012 at par value of RMB4,000 million, with a maturity of one year from issuance. The debentures are unsecured and bear interests at a rate of 4.46% per annum. Principal and interests are paid upon maturity date.

The Company issued its Tranche I Extra Short-Term Debentures on 18 July 2012 at par value of RMB 4,000 million, with a maturity of 270 days from issuance. The debentures are unsecured, and bear interests at a fixed rate of 3.38% per annum. Principal and interests are paid upon maturity date.

The Company issued its Tranche II Extra Short-Term Debentures on 16 August 2012 at par value of RMB 3,000 million, with a maturity of 270 days from issuance. The debentures are unsecured, and bear interests at a fixed rate of 3.70% per annum. Principal and interests are paid upon maturity date.

The Company issued its Tranche III Extra Short-Term Debentures on 20 September 2012 at par value of RMB 3,000 million, with a maturity of 270 days from issuance. The debentures are unsecured, and bear interests at a fixed rate of 4.30% per annum. Principal and interests are paid upon maturity date.

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	As at 31 December	
	2012 *(RMB million)*	2011 *(RMB million)*
RMB	**124,115**	129,852
USD	**5,750**	6,360
Singapore dollar	**1,570**	859
Others	**67**	90
	131,502	137,161

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

	As at 31 December	
	2012	2011
Bank borrowings		
RMB	**6.25%**	6.44%
USD	**4.64%**	4.73%
Singapore dollar	**2.34%**	2.21%
Other borrowings		
RMB	**10.27%**	9.49%

2. Financial Guarantees

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

	As at 31 December	
	2012 *(RMB million)*	2011 *(RMB million)*
Outstanding guarantees		
Third parties	**174**	234
Related parties	**130**	11
	304	245

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

The Company considers that the repayment of secured loans is on schedule and risk of default in payment is remote. Therefore no provision has been made in the financial statements for the guarantees.

3. Contingencies

	As at 31 December	
	2012	2011
	(RMB million)	*(RMB million)*
Pending lawsuits/arbitrations	**951**	706

The Company has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. The balance is the maximum exposure of such lawsuits that the Company is named as defendants. Provision will be 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 legal advice. No provision has been made for the above pending lawsuits since management believes the outflow of resources is not probable.

Due to unexpected events including the severe weather, such as hurricane, the schedule of Western Australia SINO Iron Ore project has been delayed, which led to substantial increase in project costs and exceeded the Company's expectations. Management believes the Company has taken measures to accelerate the construction progress and control the project costs, and thus mitigated the delays it may have caused and decreased the related losses. On the clauses in the contract that the Company signed with the owner in relation to the claim for the losses arising from the schedule delays caused by the contractor, the Company has negotiated with the owner and reached an agreement that the project delays were caused by various reasons and both parties agreed to consider from each other's perspectives to resolve the problems properly. As at the date of approval of these consolidated financial statements, the owner has not claimed any losses due to project delays. The Company has made an effort to shorten the delay of the project schedule. Based on such understanding, the Company estimated that the possibility of being claimed by the owner is small and thus no contingent liabilities were accrued.

VI. MARKET RISKS

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

(a) 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, sales and purchases of machinery and equipment to and 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 ("USD"), Australian Dollars ("AUD") and Euros ("EUR").

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 2012, if RMB had strengthened/weakened by 5% (2011: 5%) against USD, AUD, EUR and other foreign currencies with all other variables held constant, which were considered reasonably possible by management, the profit after tax for the year ended 31 December 2012 would have been approximately RMB56 million higher/lower (2011: RMB13 million lower/higher), mainly as a result of foreign exchange losses/gains on translation of USD, AUD, EUR and other foreign currencies denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

(b) 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 and borrowings at variable rates expose the Company to cash flow interest-rate risk, and those restricted cash, cash, cash equivalents and borrowings at fixed rates expose the Company to fair value interest-rate risk. As at 31 December 2012, approximately RMB299 million (2011: RMB498 million) of the Company's restricted cash, approximately RMB435 million (2011: RMB503 million) of the Company's cash and cash equivalents and approximately RMB70,299 million (2011: RMB54,658 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 2012, if the interest rate on RMB-denominated borrowings and USD and other currency-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, which was considered reasonably possible by management, profit after income tax for the year ended 31 December 2012 would have been RMB175 million lower/higher and RMB28 million lower/higher (2011: RMB178 million lower/higher and RMB24 million lower/higher) respectively, mainly as a result of higher/lower interest expenses on bank borrowings and trade and other payables.

(c) 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	
	2012	2011
Change in equity price	**10%**	10%

	Year ended 31 December	
	2012	2011
	(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	**23**	26
— as a result of decrease in equity price	**(23)**	(26)
Impact on equity		
Increase/(decrease) in equity for the year		
— as a result of increase in equity price	**25**	28
— as a result of decrease in equity price	**(25)**	(28)

(d) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, 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 and restricted cash 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 Group 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.

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through 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 *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 2012					
Borrowings	84,262	28,523	25,314	31,283	169,382
Trade and other payables	84,417	222	—	—	84,639
	168,679	28,745	25,314	31,283	254,021
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

SIGNIFICANT EVENTS

I. MATERIAL LITIGATION AND ARBITRATION

It was published in the announcement of "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 10 September 2010 that disputes in relation to the final tranche of AUD$80.00 million for the mining tenements and related asset of Cape Lambert Iron Ore in Western Australia between the Company, the MCC Australia Sanjin Mining Pty Ltd ("MCC Sanjin"), a subsidiary of the Company and Cape Lambert Resources Limited and Mt Anketell Pty Ltd (collectively the "CFE Party"). As at 8 August 2012, the Supreme Court of Western Australia granted the judgment that parties involved should refer such disputes to arbitral proceedings for settlement in accordance with the dispute settlement mechanism set out in the tenement and related Asset Sale Agreement and the Parent Company Guarantee. CFE Party appealed against the adjudication and on 12 March 2013 the Supreme Court of Western Australia has held the adjudication. At the same time, the CFE Party has also submitted application for arbitration on the disputes in relation to the final tranche to the Arbitration Centre in Singapore. The arbitration is still in the stage of designating arbitrators by both parties.

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. THE STATUS OF CAPITAL USED AND REPAID AS AT THE END OF THE REPORTING PERIOD

51.06% of the equity interests in Huludao Nonferrous was transferred from the Company to MCC Group on 31 December 2012, while the Company remained as the creditor of Huludao Nonferrous. Non-operational usage of capital by Huludao Nonferrous was re-classified from "capital used by the subsidiaries of the listed company" to "capital used by a substantial shareholder and its subsidiaries". On 5 February 2013, the Company transferred the receivables due from Huludao Nonferrous with gross amount of approximately RMB7.75 billion at the consideration of the appraised value of RMB859.823 million. The proceeds were received in full as cash and balances on 7 February 2013.

III. INSOLVENCY OR RESTRUCTURING RELATED MATTERS

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

IV. TRANSACTIONS OF ASSETS AND MERGER OF ENTERPRISES

During the Reporting Period, the Company did not have any material events of acquisition and disposal of assets, as well as merger of enterprises.

SIGNIFICANT EVENTS

V. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) Trusteeship, contracting and leasing

During the Reporting Period, the Company did not have substantial trusteeship, contracting and leasing.

(II) Guarantee

Unit: 000 Currency: RMB

External guarantees provided by the Company (excluding guarantees provided 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 was available	Whether guarantee for a related party	Related party relationship
China Huaye Group Co., Ltd.	Wholly-owned Subsidiary	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 Subsidiary	Hebei Steel Luan County Sijiaying Iron Ore Co., Ltd.	20,580	7 September 2007	7 September 2007	6 September 2015	Under joint and several liabilities	No	No	–	No	No	–
China 22 MCC Group Co., Ltd.	Wholly-owned Subsidiary	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 Subsidiary	Xi'an Sanjiao Aviation Technology Co., Ltd.	65,000	9 September, 2008	9 September, 2008	31 December, 2014	Under joint and several liabilities	No	No	–	No	No	–
MCC Capital Engineering & Research Incorporation Limited	Controlled subsidiary	MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	9,500	25 November, 2011	25 November, 2011	20 June, 2013	Under joint and several liabilities	No	No	–	No	No	–
MCC Capital Engineering & Research Incorporation Limited	Controlled subsidiary	MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	95,000	25 November, 2011	25 November, 2011	30 May 2013	Under joint and several liabilities	No	No	–	No	No	–
MCC Capital Engineering & Research Incorporation Limited	Controlled subsidiary	MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	20,000	25 November, 2011	25 November, 2011	19 August 2013	Under joint and several liabilities	No	No	–	No	No	–
MCC Capital Engineering & Research Incorporation Limited	Controlled subsidiary	MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	4,770	25 November, 2011	25 November, 2011	25 January 2013	Under joint and several liabilities	No	No	–	No	No	–

Total amount of guarantee occurred during the Reporting Period (excluding guarantee to subsidiaries)	129,270
Total amount of outstanding guarantee as at the end of the Reporting Period (A) (excluding guarantee to subsidiaries)	303,612

Guarantee provided by the Company to its controlled subsidiaries	
Total amount of guarantee occurred by the Company to its subsidiaries during the Reporting Period	4,626,540
Balance of guarantee provided by the Company to its subsidiaries at the end of the Reporting Period (B)	13,907,777
Total guarantee provided by the Company (including guarantee to controlled subsidiaries)	
Total amount of guarantee (A+B)	14,211,389
Total amount of guarantee as a percentage of the Company's net assets (%)	26.91
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 of over 70% (D)	10,218,746
The excess of total amount of guarantee over 50% of the net assets (E)	0
Total amount of above 3 guarantees (C+D+E)	10,218,746

SIGNIFICANT EVENTS

(III) Other material contracts

1. Material contracts in the PRC

Number	Name of project	Contractual amounts *(RMB in million)*	Parties	Term *(Month)*
1	Project of ancillary installation for straightening the water environment of Phase V and VI of Fangquanyuan and the construction of settlement residence of Phase V of Xianheyuan (太湖水環境整治配套安裝工程方泉苑五、六期，仙河苑五期安置房建設項目)	4,100	China Second Metallurgical Group Corporation Limited	35
2	Coking construction of the magnesium integration project with an annual production capacity of 2.4 million ton in Yanhu, Qinghai (青海鹽湖金屬鎂一體項目240萬噸/年焦化工程)	2,420	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	26
3	1-million ton high strength steel production line for Kezhou Ganxin Iron & Steel Co., Ltd.(克州贛鑫鋼鐵有限公司100萬噸高強度鋼生產線)	1,750	WISDRI Engineering & research Incorporation Limited	12
4	Project for the municipal road of the extension of Yuanhua Road South (Section C) for the major infrastructure project for the layout of three vertical highways and one horizontal highway (三縱一橫) of Tianfu New District (天府新區「三縱一橫」重大基礎設施建設項目元華路南延線市政道路工程(C標段))	1,550	China MCC 5 Group Co., Ltd.	24

SIGNIFICANT EVENTS

Number	Name of project	Contractual amounts (RMB in million)	Parties	Term (Month)
5	The pipeline construction (Phase II) for roads, drains, gas, heat and low-voltage for the eastern section of Yingkou industrial base, Liaoning (遼寧營口產業基地二期東區道路、排水、燃氣、供熱、弱電管道工程)	1,500	MCC Capital Engineering & Research Incorporation Limited	9
6	Construction of Kunshan Financial Street (Phase I) (昆山金融街一期工程)	1,310	Shanghai Baoye Group Corp., Ltd.	33
7	Construction and installation contract of the transformation project of Sannongchang, Baisha River East, Kunming City (昆明市東白沙河三農場改造項目建築安裝施工合同)	1,310	China First Metallurgical Group Co., Ltd.	36
8	Section I of relocation housing project of New Town New Yizhou (Phase II), Chengdu (成都新益州新城(富士康生活配套區)二期拆遷安置房建設項目一標段)	1,280	China MCC 5 Group Co., Ltd.	18
9	Construction contract of Jinda Coal Co.,Ltd., Xiaoyi (孝義市金達煤焦有限公司工程合同)	1,230	MCC TianGong Group Corporation Limited	18
10	Zone A and B of the transformation project of Fushun Hotel and its peripheral areas (撫順大酒店及周邊改造工程A、B區)	1,200	Shanghai Baoye Group Corp., Ltd.	37
11	Coking construction of South Xinjiang steel industrial base project for Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. (寶鋼集團新疆八一鋼鐵有限公司南疆鋼鐵基地項目焦化工程)	1,160	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	14

SIGNIFICANT EVENTS

Number	Name of project	Contractual amounts (RMB in million)	Parties	Term (Month)
12	Construction and installation project for the 2×240m² sintering blast furnaces, 3×1080m³ iron making blast furnaces, 3×80t steel making converter furnaces of Langfangshi Guangyuan Metal Products Co., Ltd. (廊坊市洸遠金屬製品有限公司2×240m²燒結、煉鐵3×1080m³高爐、煉鋼3×80t轉爐的建築、安裝工程)	1,160	China MCC 20 Group Co., Ltd.	11
13	Project of Haixiu Expressway Phase I of the frame construction of the expressway network of Haikou City (海口市快速路網骨幹工程海秀快速路(一期)工程)	1,080	China First Metallurgical Group Co., Ltd.	25
14	Construction (Phase I) of redevelopment project of "inner-city villages" of Yangchang Village in Kunming, Yunnan (雲南昆明羊腸村「城中村」改造項目一期工程)	1,000	China 22 MCC Group Co., Ltd.	36
15	Technology and Venture Incubator (Phase II) of Zijin (Jiangning) Technology and Venture Special Community, Nanjing (南京紫金(江寧)科技創業特別社區科技創業孵化器(二期))	1,000	China MCC 17 Group Co., Ltd.	36
16	Yellow River Culture and Sports Convention and Exhibition Centre, Wuzhong City (吳忠市黃河文化體育會展中心)	1,000	China Huaye Group Co., Ltd.	Depends on the progress

SIGNIFICANT EVENTS

2. *Material contracts of overseas projects*

Number	Name of project	Contractual amounts *(RMB in million)*	Parties	Term *(Month)*
1	ACACELL 850,000 tons pulp mill project in Malaysia (馬來西亞ACACELL 85萬噸紙漿廠項目)	9,230	Metallurgical Corporation of China Ltd.	36
2	Projects of science institution and staff entertainment center for Sabah Al-Salem University town of Kuwait University (科威特大學Sabah Al-Salem大學城科學學院及教工俱樂部項目)	4,190	Metallurgical Corporation of China Ltd.	46
3	Full procurement contract of equipment for the construction of blast furnace 1 and 2 of Formosa Ha Tinh Steel Corporation (台塑河靜鋼鐵興業責任有限公司1號、2號高爐工程設備成套採購合同)	3,450	CISDI Group Corp. Ltd.	47
4	General contract for the construction of blast furnace 1 and 2 of Formosa Ha Tinh Steel Corporation (台塑河靜鋼鐵興業責任有限公司1號2號高爐工程總承包合同)	1,210	CISDI Group Corp. Ltd.	47
5	Contract of the provision of design, major equipment and training for the Sinter Plant (Phase I) 2X500m² of Formosa Ha Tinh Steel Corporation (台塑河靜鋼鐵燒結廠一期2X500㎡設計、主設備及培訓供貨合同)	1,000	Zhong Ye Chang Tian International Engineering Co., Ltd.	45

VI. PERFORMANCE STATUS OF THE UNDERTAKINGS

(I) The undertakings which should be carried out during the Reporting Period made by MCC Group, the controlling shareholder in the A Share prospectus of the Company

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.

SIGNIFICANT EVENTS

MCC Group had complied with the above undertakings during the Reporting Period. The above lock-up period undertaken by MCC Group expired on 21 September 2012. The shares of the Company held by MCC Group and those transferred to the National Council for Social Security Fund therefrom, in aggregate of 12,611,608,500 shares, were released and circulated in the market (for details, please refer to the overseas regulatory announcement published by the Company on 13 September 2012).

For the long-term healthy development of the Company, MCC Group has undertaken to lock its 12,265,108,500 shares of the Company, which represents 64.18% of the total shares of the Company, for three years upon the expiry of the lock-up period from 21 September 2012 to 20 September 2015 (for details, please refer to the overseas regulatory announcement published by the Company on 13 September 2012).

As at the end of the Reporting Period, the undertaking was still in performance period. MCC Group has complied with the above undertaking of locking its shares during the performance period.

2. *Undertaking for disposal of MCC Hengtong Cold Rolling Technology Co., Ltd. ("MCC Hengtong")*

Within 24 months from the date of the public offering and listing of the Company's domestic shares on Shanghai Stock Exchange, MCC Hengtong shall be disposed by way of, inter alia, transfer of equity in MCC Hengtong.

Since the end of 2010, MCC Hengtong had fully ceased production and there have been no competitions between MCC Hengtong and the Company. In March 2012, with approval from the SASAC, the Parent Group transferred MCC Hengtong to China National Travel Service (HK) Group Corporation at nil consideration. The relevant procedures for the registration of modification with the Administration for Industry and Commerce were completed in October 2012.

3. *Non-competition Undertakings*

MCC Group has complied with the above undertakings during the Reporting Period.

(II) Undertakings regarding housing property rights and land use rights

The disclosure of undertakings regarding buildings and application for certificates of lands in the A share prospectus of the Company is as follows:

1. Undertakings of confirmation of ownership to the buildings that have not been granted building ownership certificate: As at the date on which the A share prospectus was executed, MCC and its subsidiaries still owned 324 buildings with total GFA of 653,547.95 sq.m. for which building ownership certificates have not been granted. The Company and MCC Group are actively applying for building ownership certificates for those buildings and undertook to obtain the relevant certificates within 18 months from the completion of the public offering and listing of the MCC.

As at the end of the Reporting Period, among the aforementioned 324 buildings for which certificates of confirmations of ownership were outstanding, 139 buildings have been granted building ownership certificates, whereas the building ownership certificates for the rest of the 185 buildings are still outstanding due to the reasons such as application not completed, pending approval from local government and involvement in relocation. Confirmations of ownership are still actively in progress.

2. Undertakings of confirmation of ownership to the land use rights of the land parcels that have not been granted or are in the process of renewing State-owned Land Use Rights Certificates: Of the land for which the Company had obtained the land use rights, 204 parcels of land were obtained by means of state capital injection, with total area of 4,363,756.56 sq.m. As at the date on which the A share prospectus was executed, 26 parcels of land out of the above were in the process of renewing their State-owned Land Use Rights Certificates. In addition, among the lands for which the MCC and its subsidiaries had obtained land use rights, 15 land use rights had not undergone transfer procedures of land use rights and were not granted State-owned Land Use Rights Certificates, with the total area of 1,423,838.49 sq.m. The Company and MCC Group are actively applying for State-owned Land Use Rights Certificates for the above land parcels for which State-owned Land Use Rights Certificates have not been granted or renewed and have undertaken to complete the application within 18 months from the completion of the public offering and listing of MCC.

   As at the end of the Reporting Period, among the above 26 parcels of land for which State-owned Land Use Rights Certificates were subject to renewal, 22 parcels of land had their certificates renewed as State-owned Land Use Rights Certificates in capital-injection nature while 1 parcel was recovered by the local government with compensation. The renewal of certificates of the remaining 3 parcels of land is actively in progress and not yet completed due to the reasons such as being reviewed by local government. Among the above 15 parcels for which transfer procedures had not been completed, 6 parcels had undergone transfer procedures and had been granted State-owned Land Use Rights Certificates. The remaining 9 parcels of land are still undergoing relevant procedures due to reasons such as change of planning and being reviewed by local government.

   The Company will enhance the communication with the relevant departments of government and expedite the application of certificates for the confirmation of ownership of the buildings and land for which the progress of certificate application has been slow. The Company will also expedite the progress of disposal through the ways of joint development with government, introduction of investors and asset exchange for the confirmation of ownership of the buildings and land to be disposed of.

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 holding more than 5% of the Company's shares and ultimate controlling person was subject to any investigations, administrative penalties and criticisms by notice by CSRC and any public censure from stock exchanges.

SIGNIFICANT EVENTS

VIII. PRESENCE OF SUSPENSION OR TERMINATION OF LISTING AND RELEVANT PLANS AND MEASURES

During the Reporting Period, the Company did not have any risk of suspension or termination of listing.

IX. EXPLANATION ON OTHER SIGNIFICANT EVENTS

1. MCC Mining (Western Australia) Pty Ltd ("MCC WA"), a wholly-owned subsidiary of the Company, undertook the Western Australia SINO Iron Ore Project of CITIC. In mid-November 2012, loaded linkage of the first production line and public facilities of the project has commissioned, and the processing plant has commissioned the production of iron ore concentrates. As at 31 December 2012, the installation of the major process line of the second production line was completed. Currently, the remaining construction work and commissioning are in progress.

   As agreed between MCC and CITIC, the third party engaged by the two parties will audit the costs of the Western Australia SINO Iron Ore Project so as to determine the project costs and reasonably solve the issue of the assumption of historic costs. As preparatory works from both sides were insufficient, the project was commenced hastily without full understanding of the Australian laws, the engineering management practices in Australia, as well as the construction conditions for the project. Further, the clearing of the site was delayed, and a number of changes were made to design plans and equipment selection. The project also involved a high degree of automation, and the testing process was complicated and involved a large volume of materials. In addition, the construction site was hit by hurricanes a number of times and shipments of materials were delayed. The teams on-site from both sides lacked management experience on the construction of similar overseas large-scale resources projects. Due to the factors mentioned above, the project was delayed repeatedly and the costs increased significantly. For the purpose of controlling project costs and pressing ahead the project, the Company negotiated with CITIC Group. On 22 January 2013, based on the current contract value and advances from the Company, CITIC Group stated in writing that: CITIC Group agrees that the construction cost relating to completion of the loaded linkage commissioning (帶負荷聯動試車) of the second main process production line on 15 April 2013 under Supplemental Agreement III to the General Contract for the Western Australia SINO Iron Ore Project shall be kept under USD4,357 million, and it also agrees that the total costs actually incurred for the project shall be confirmed as the final contract value after being audited by a third party, which shall be settled lawfully through various means, to be agreed in detail by both parties.

   Since the estimated total cost was more than Company's expectation, CITIC Group agreed that the contract cost remained USD4,357 million and that the final contract value shall be determined after being audited by a third party. As such, the Company updated the total cost estimate in light of the delay in project schedule and follow-up project arrangements and made a provision of approximately RMB3.035 billion for estimated loss for the period in respect of the excess amount of the estimated total cost of USD4,838 million less the contract cost of USD4,357 million agreed by the CITIC Group pursuant to relevant requirements of the Accounting Standards for Business Enterprises.

2. As published by the Company in the overseas regulatory announcement dated 29 October 2009 regarding the newly signed material project agreement, the Company had entered into the Master Agreement of Specific Investment and Construction of Municipal Infrastructure (BT) Project in Hengqin District, Zhuhai City (珠海市橫琴區市政基礎設施(BT)項目投資建設總體協議) with Zhuhai Dahengqin Investment Co., Ltd. (珠海大橫琴投資有限公司). The total investment amount of the project was estimated at RMB12,600 million. The project officially started on 28 March 2010 and had its municipal project plan (市政專項規劃) approved in March 2011 with a total construction period of 3 years. As at the end of the Reporting Period, the project had an accumulated investment of RMB9.046 billion, while acquisition for the project, resettlement work and project surveying work had been completed. The tender for EPC project general contractor and bulk materials procurement had also been completed. Design, construction and other tasks progressed as scheduled.

SIGNIFICANT EVENTS

3. 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 owned by MCC Real Estate Group Co., Ltd., a 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 on 19 September 2010. The consideration of the land transfers were RMB12,141 million and RMB7,893 million respectively with the total amount of RMB20,034 million (for details, please refer to the announcement published by the Company on 19 September 2010). On 30 November 2012, Nanjing Linjiang Old Town Renovation, Construction and Investment Co., Ltd. won the bid for the Land Use Right of Land No. 2 at the west of Jiangbian Road, Binjiang, Xiaguan District of Nanjing at a consideration of RMB5,620 million (for details, please refer to the announcement published by the Company on 30 November 2012). During the Reporting Period, the local government was facilitating the demolition and resettlement work of Land No. 1 and Land No. 3, and the Company has carried out the application work for the land certificates for certain land parcels qualified for certificates. Currently, the Company is implementing relevant work proactively according to the new regulatory detailed planning and the business invitation for land parcels is underway, among which, Nanjing Shipping Center (南京航運中心) in the project area held inauguration ceremony on 11 July 2012 and was under construction. As at the end of the Reporting Period, the Company paid a bidding deposit of RMB1,130 million for Land No. 2, without signing any land transfer contract. On 18 December 2012, the Ministry of Land and Resources (國土資源部) pronounced that a public investigation would be conducted for Land No. 2 documents. The transfer announcement, the notice of transaction result and the transfer contracts related to the land would be analysed according to the laws and regulations governing land transfer as well as land transfer agreement. The verification would be made based on such result. The Board and the management have paid much attention on it, and hence will assist the Ministry of Land and Resources in its public investigation on Land No. 2 of the Binjiang Project at Xiaguan District. We are now waiting for the verification opinion from the Ministry of Land and Resources and will negotiate with relevant departments in the Nanjing government for our next step regarding the project.

4. On 17 July 2012, the consortium jointly established through agreement by MCC Real Estate Group Co., Ltd., a wholly-owned subsidiary of the Company, and Beijing No.5 Construction Co., Ltd. (北京第五建築工程有限公司) won the bid for the land use right of plot A1 under Phase II of the green belt construction and old village reconstruction project at Jiugong Town, Daxing District, Beijing (北京市大興區舊宮鎮綠隔地區建設舊村改造二期A1地塊) at a public auction for a consideration of RMB2,200 million in cash, together with an obligation to construct public rental housing of 4,700 square meters (for details, please refer to the announcement published by the Company on 17 July 2012). In August 2012, the consortium entered into Land Use Right Transfer Agreement for State-Owned Construction Land (《國有建設用地使用權出讓合同》) and Land Development and Construction Compensation Agreement (《土地開發建設補償協議》) with Beijing Municipal Bureau of Land and Resources and the Daxing Branch Office of with Beijing Municipal Bureau of Land and Resources respectively and fully paid the consideration of land transfer. According to the bidding agreement of the consortium, Beijing Zhongye Minghong Real Estate Co., Ltd. (北京中冶名弘置業有限公司), a project company, was established with capital contributed by both parties. On 28 November 2012, the consortium entered into a supplementary agreement of Land Use Right Transfer Agreement for State-Owned Construction Land with Beijing Municipal Bureau of Land and Resources and amended the transferee to Beijing Zhongye Minghong Real Estate Co., Ltd. Currently, the preliminary work of the project is in progress as scheduled.

5. The situation of two engineering and construction projects undertaken by the China First Metallurgical Group Co., Ltd. ("First Metallurgical"), a subsidiary of the Company, in Libya was disclosed in the announcement "Announcement in Relation to Projects in Libya" published by the Company on 3 March 2011. 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. As at the end of the Reporting Period, First Metallurgical had established a working group to handle the claim in Libya in adherence to the united plan of related departments and associations in China, and compiled claim reports and materials. On 7 January 2013, First Metallurgical reported the loss of its residential projects to the relevant departments of the Embassy of the PRC in Libya. No additional loss was incurred to the two engineering and construction projects except to those incurred during the war in Libya. The Company and First Metallurgical will continue to maintain communication and connection with all the relevant parties and closely follow up the progress of the resumption of work and claims of the projects.

SIGNIFICANT EVENTS

6. As considered and approved at the general meeting of the Company, and registered with the National Association of Financial Market Institutional Investors, the Company issued the following short-term and extra-short-term financing bills during the Reporting Period:

Unit: RMB

Number	Issue Date	Name	Amount	Interest Rate	Term	Date of Announcement on the Results of Issue
1	10 April 2012	The First Tranche of Short-Term Financing Bills 2012	4.4 billion	4.46%	365 days	14 April 2012
2	18 July 2012	The First Tranche of Extra-Short-Term Financing Bills 2012	4 billion	3.38%	270 days	20 July 2012
3	16 August 2012	The Second Tranche of Extra-Short-Term Financing Bills 2012	3 billion	3.70%	270 days	21 August 2012
4	20 September 2012	The Third Tranche of Extra-Short-Term Financing Bills 2012	3 billion	4.30%	270 days	25 September 2012
5	27 September 2012	The Second Tranche of Short-Term Financing Bills 2012	3 billion	4.48%	365 days	8 October 2012
6	22 November 2012	The Third Tranche of Short-Term Financing Bills 2012	4 billion	4.46%	365 days	27 November 2012

7. Some of the Directors, Supervisors (including the candidates for Supervisor) and senior management members of the Company purchased 415,000 shares, 645,000 A shares and 100,000 H shares of the Company in aggregate from the secondary market on 13 September 2011, 20 September and 21 September 2012 with their own funds. The persons in charge of the competent departments of the headquarters and management members of the Company's subsidiaries in second tier purchased 10,438,000 A shares of the Company in aggregate from the secondary market in September 2012 with their own funds. All the aforesaid personnel would voluntarily subject the shares held by them to a lock-up period of three years commencing from the closing date of such purchase during their terms of offices in the Company (for details, please refer to the overseas regulatory announcement published by the Company on 21 September 2012). As at 31 December 2012, the aforesaid personnel held an aggregate of 13,370,000 A Shares and 100,000 H shares of the Company.

8. At the forty-eighth meeting of the first session of the Board of Directors of the Company from 27 March to 28 March 2013, Mr. Cheung Yukming, an independent non-executive director, abstained from voting in respect of the proposal to adopt the 2012 Annual Report of MCC. The reason given for the abstention was: "I have not received relevant and adequate response from the Company's management in respect of enquiries about the Western Australian SINO Iron Ore Project, and consider myself not fully informed of the significant events of the Company. As such, I abstained from voting on the resolution regarding the 2012 Annual Report of MCC."

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

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	-346,500,000	0	0
2. Shares held by state-owned legal person	12,265,108,500	64.18	–	–	–	-12,265,108,500	-12,265,108,500	0	0
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	–	–	–	+12,611,608,500	+12,611,608,500	16,239,000,000	84.98
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

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

(II) 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	12,265,108,500	0	0	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	346,500,000	0	0	Assumed lock-up undertaking of MCC Group	21 September 2012
Total	12,611,608,500	12,611,608,500	0	0	/	/

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities in the last three years

In the last three years as at the end of the Reporting Period, there was no issue and listing of securities of the Company. For details of the initial public offering of A Shares and H Shares by the Company in September 2009, please refer to the section "Changes in Share Capital and Particulars of Shareholders" of the 2011 Annual Report.

(II) 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.

(III) Existing internal employee shares

There was no internal employee shares of the Company during the Reporting Period.

III. PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON

(I) Number of Shareholders and their shareholding

At the end of the Reporting Period, the Company had a total of 337,623 Shareholders, among which, 329,124 were A Share Shareholders and 8,499 were H Share Shareholders. As of 22 March 2013, the Company had a total of 333,399 Shareholders, among which, 325,028 were A Share Shareholders and 8,371 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	Number of shares pledged or frozen	Nature of Shareholder
China Metallurgical Group Corporation	0	12,265,108,500	64.18	0	0	State-owned legal person
HKSCC Nominees Limited *(Note 2)*	-377,000	2,838,398,000	14.85	0	0	Others
The Social Security Fund of the PRC No. 101 (全國社保基金一零一組合) *(Note 3)*	154,253,476	154,253,476	0.81	0	0	State
Baosteel Group Corporation	-2,000,000	121,891,500	0.64	0	0	State-owned legal person
The Social Security Fund of the PRC No. 103 (全國社保基金一零三組合) *(Note 3)*	110,000,000	110,000,000	0.58	0	0	State
PICC Life Insurance Company Limited — Dividend - Dividend of Group Insurance (中國人民人壽保險股份有限公司一分紅一團險分紅)	9,235,411	53,459,674	0.28	0	0	Others
PICC Life Insurance Company Limited — Dividend - proprietary funds (中國人民人壽保險股份有限公司一自有資金)	20,430,158	43,781,491	0.23	0	0	Others
PICC Health Insurance Company Limited — traditional — general insurance product (中國人民健康保險股份有限公司一傳統一普通保險產品)	-3,963,749	41,691,484	0.22	0	0	Others
Bank of China Limited — Harvest CSI 300 Trading Open-end Index Securities Investment Fund (中國銀行股份有限公司一嘉實滬深300交易型開放式指數證券投資基金)	38,888,807	38,888,807	0.20	0	0	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一分紅一個險分紅)	-1,359,357	35,105,209	0.18	0	0	Others

Note 1: Figures in the table were extracted from the Company's register of Shareholders as at 31 December 2012.

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

Note 3: 346,500,000 shares of the Company held by The National Council for Social Security Fund of the PRC, upon expiry of selling restrictions on 21 September 2012, were divided into two accounts for holding, namely the Social Security Fund of the PRC No. 101 and No. 103.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

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
China Metallurgical Group Corporation	12,265,108,500	A Shares
HKSCC Nominees Limited *(Note 2)*	2,838,398,000	H Shares
The Social Security Fund of the PRC No. 101 (全國社保基金一零一組合) *(Note 3)*	154,253,476	A Shares
Baosteel Group Corporation	121,891,500	A Shares
The Social Security Fund of the PRC No. 103 (全國社保基金一零三組合) *(Note 3)*	110,000,000	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)	53,459,674	A Shares
PICC Life Insurance Company Limited — Dividend — proprietary funds (中國人民人壽保險股份有限公司 — 自有資金)	43,781,491	A Shares
PICC Health Insurance Company Limited — Traditional — general insurance product (中國人民健康保險股份有限公司 — 傳統 — 普通保險產品)	41,691,484	A Shares
Bank of China Limited — Harvest CSI 300 Trading Open-end Index Securities Investment Fund (中國銀行股份有限公司 — 嘉實滬深300交易型開放式指數證券投資基金)	38,888,807	A Shares
PICC Life Insurance Company Limited — dividend — Dividend of Individual Insurance (中國人民人壽保險股份有限公司 — 分紅 — 個險分紅)	35,105,209	A Shares

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 2012.

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

Note 3: 346,500,000 shares of the Company held by The National Council for Social Security Fund of the PRC, upon expiry of selling restrictions on 21 September 2012, were divided into two accounts for holding, namely the Social Security Fund of the PRC No. 101 and No. 103.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

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

As at the end of the Reporting Period, there was no share in the Company subject to selling restrictions.

(II) 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 Guo Wenqing, and the registered capital is RMB8,459,575,900.

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

In 2011, MCC Group has recorded a revenue of RMB243.2 billion, total profit of RMB0.5 billion and net cash flows from operating activities of RMB-13.5 billion. Its total assets were RMB360.2 billion as at the end of 2011. In 2012, the revenue was slightly lower and total profit tumbled relatively, but net cash flows from operating activities turned around.

The strategy for the future development of MCC Group can be summarized as "focus on building the scale and strength of principal businesses, whilst diversify the operation moderately to achieve a sound development". It is dedicated to delivering a marked improvement in the general performance indicators of the Group by 2015, which will lay a solid foundation for becoming a top enterprise with good effectiveness and international competitiveness, in a bid to build an "Outstanding MCC".

As at the end of the Reporting Period, MCC Group has an indirect shareholding of 33.69% in Huludao Zinc (鋅業股份) (Stock code: 000751, Shenzhen Stock Exchange) and 26.91% in Meili Paper (美利紙業) (Stock code: 000815, Shenzhen Stock Exchange). On 28 February 2013, MCC Group has transferred its 100% state-owned interest in MCC Paper Industry Co., Ltd. (中冶紙業集團有限公司), the controlling shareholder of Meili Paper (美利紙業), to China Chengtong Holding Group Limited (中國誠通控股集團有限公司) at nil consideration. As at 7 March 2013, the relevant procedures for the registration modification were completed.

2. *Ultimate controlling person*

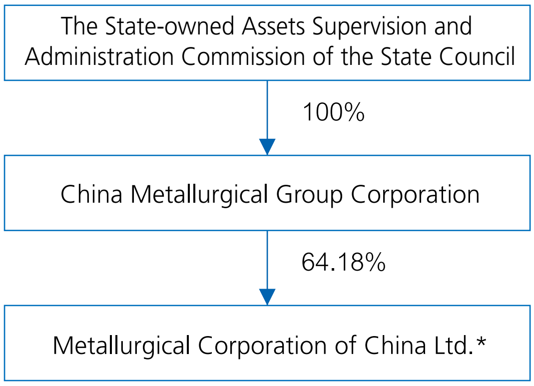
The State-owned Assets Supervision and Administration Commission of the State Council is the ultimate controlling person of the Company.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

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.

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



(IV) 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.

* *For identification only*

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) List of Directors and Supervisors

As at the end of the Reporting Period, the members of the Board *(Note 1)* are as below:

Name	Position	Nominating Party	Commencement of Term of Office
Jing Tianliang	Chairman and non-executive Director	MCC Group	29 June 2010
Shen Heting	President and executive Director	MCC Group	28 November 2008
Guo Wenqing *(Note 2)*	Vice Chairman and executive Director	MCC Group	29 October 2012
Jiang Longsheng	Independent non-executive Director	MCC Group	28 November 2008
Wen Keqin	Independent non-executive Director	MCC Group	28 November 2008
Liu Li	Independent non-executive Director	MCC Group	28 November 2008
Chen Yongkuan	Independent non-executive Director	MCC Group	28 November 2008
Cheung Yukming	Independent non-executive Director	MCC Group	19 June 2009
Lin Jinzhen	Employee Representative Director (non-executive Director)	Assembly of Employee Representatives (公司職工代表大會)	29 October 2012

Note 1: As at 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.

Note 2: Mr. Guo Wenqing served as Employee Representative Director of the Company during the period from June 2009 to October 2012 and served as Vice Chairman and executive Director of the Company since October 2012.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

As at the end of the Reporting Period, members of the Company's Supervisory Committee *(Note 1)* are as follows:

Name	Position	Nominating Party	Commencement of Term of Office
Shan Zhongli	Chairman of Supervisory Committee	Parent	29 October 2012
Peng Haiqing	Supervisor	Parent	28 November 2008
Shao Bo	Employee Representative Supervisor (職工代表監事)	Assembly of Employee Representatives	28 January 2011

Note 1: As at 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.

For the Directors and Supervisors retired during the Reporting Period, please refer to "(III) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT".

(II) BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographies of the Directors, Supervisors and Senior Management of the Company as at 31 December 2012 *(Note: Data concerning ages in Biographies of the Directors, Supervisors and Senior Management is calculated based on data as at 31 December 2012)* are set out below:

I. DIRECTORS

Mr. Jing Tianliang (經天亮)

aged 67, 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.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Shen Heting (沈鶴庭)

aged 58, 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. 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.) 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 48, is the vice chairman and 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 the 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.. From December 2008 to August 2012, Mr. Guo served as the deputy secretary of the Communist Party Committee of the Company. From June 2009 to October 2012, he served as the employee representative Director (non-executive Director) of the Company. From April 2009 to July 2012, he served as the director and the deputy secretary of the Communist Party Committee of China Metallurgical Group Corporation. He has served as the vice chairman, general manager (legal representative) and deputy secretary of the Communist Party Committee of China Metallurgical Group Corporation since July 2012 and the secretary of the Communist Party Committee of the Company since August 2012. Mr. Guo was appointed as the vice chairman and executive Director of the Company with effect from 29 October 2012.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Jiang Longsheng (蔣龍生)

aged 67, 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 68, 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 (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 from September 2006 to December 2012, and was an external director of China Metallurgical Group Corporation from December 2006 to September 2008. Mr. Wen currently serves as consultant of China National Pharmaceutical Group Corporation, 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 57, 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 July 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. He has been an independent director of Bohai Ferry Co., Ltd. (渤海輪渡股份有限公司) since December 2009 and an independent director of C&T Techlangfang Development Co., Ltd. (廊坊發展股份有限公司) since August 2010. 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 66, 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.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Cheung Yukming (張鈺明)

aged 59, is an independent non-executive Director of the Company. Mr. Cheung is a member of the Construction Management Association of America (USA), the Canadian Institute of Mining, Metallurgy and Petroleum (Canada), the Charter Institute of Arbitrators (UK), Institute of Bankers (HK), Alliance of Merger & Acquisition Advisors (US, Chicago), the Institute of Chartered Accountants in England and Wales, the Institute of Internal Auditors (USA) and the Hong Kong Securities and Investment Institute (HK). Mr. Cheung obtained a master's degree in business administration from the University of East Asia, Macau in 1987 and has completed studies in construction management, mineral resource development, mining finance, petroleum economics and risk management in the oil and gas industry from the China University of Geosciences, the Chartered Institution of Civil Engineering Surveyors and other bodies. Prior to joining the Company, Mr. Cheung had worked at Pricewaterhouse, the Hong Kong Government and other institutions. 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.

Mr. Lin Jinzhen (林錦珍)

aged 51, is the employee representative Director (non-executive Director), and the head of the human resources department (head of the organisation department under the Communist Party Committee) of the Company. He also serves as a director of MCC Finance Corporation Ltd., a director of MCC Tongsin Resources Ltd., the chairman of supervisory committee of Zhong Ye Chang Tian International Engineering Co., Ltd., as well as an employee director and the head of the human resources department (head of the organisation department under the Communist Party Committee) of MCC Group. Mr. Lin is a senior engineer who graduated from Northeastern University with a Bachelor's degree in mining and construction in July 1983. Prior to joining the Company in December 2008, Mr. Lin once served as an assistant engineer and principal staff member in the business administration office under the Infrastructure Construction Bureau, as well as an engineer and a senior engineer in the general office of the Construction Department of the Ministry of Metallurgical Industry, an engineer of China Metallurgical Construction (Group) Corporation (during preparation of its establishment) (中國冶金建設集團公司(籌備)工程師、高級工程師), the deputy chief of the personnel division, the manager of the personnel department II, and deputy head of the human resources department of China Metallurgical Construction (Group) Corporation. Mr. Lin has served as the head of the human resources department (head of the organisation department under the Communist Party Committee) of MCC Group since November 2003, the chairman of supervisory committee of Zhong Ye Chang Tian International Engineering Co., Ltd. since May 2006, an employee director of MCC Group since November 2006, a director of MCC Tongsin Resources Ltd. since December 2006, a director of MCC Finance Corporation Ltd. since March 2007, and the head of the human resources department (head of the organisation department under the Communist Party Committee) of MCC since May 2009. Mr. Lin was appointed as the employee representative Director (non-executive Director) of the Company with effect from 29 October 2012.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

2. *SUPERVISORS*

Mr. Shan Zhongli (單忠立)

aged 48, is the chairman of the Supervisory Committee and the deputy secretary of the Communist Party Committee of the Company. Mr. Shan is an engineer who concurrently graduated from the Machinery Manufacturing Department of Dalian Railway Institute with a major in machinery manufacturing techniques and equipment, and School of Correspondence and Continuing Education of Tongji University with a major in construction management engineering. Prior to joining the Company in December 2008, Mr. Shan served as an assistant engineer and an engineer at Beijing Erqi Machine Tool Factory of the Ministry of Railways (鐵道部北京二七機車廠), and a deputy-chief-level staff member at Beijing Machinery Administration Bureau (北京市機械管理局) since 1987. From 1995 to 2010, Mr. Shan served a number of positions such as a deputy-chief-level staff member and a chief-level staff member at the Bureau of Retired Cadres of the Central Commission for Discipline Inspection (中央紀委離休幹部局), a chief-level staff member and a deputy-chief-level inspector and ombudsman at the First Disciplinary Inspection Division (第一紀檢監察室) as well as the deputy chief, the chief of the first division and the third division of the corporate guidance division of the Central Commission for Discipline Inspection. From January 2010 to May 2012, Mr. Shan served as the deputy chief of the disciplinary team of the communist party committee, the head of the Inspection Department and the director of the inspection office of the communist party committee at China Shipping (Group) Company (中國海運(集團)總公司). From May 2012 to August 2012, Mr. Shan served as the deputy head (general-assistant-level) of the disciplinary team of the communist party committee of China State Shipbuilding Corporation (中國船舶工業集團公司). He has served as the deputy secretary of the Communist Party Committee of the Company since August 2012. Mr. Shan was appointed as the chairman of the Supervisory Committee of the Company with effect from 29 October 2012.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Peng Haiqing (彭海清)

aged 41, is a Supervisor of the Company and deputy head of the Finance Department. 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. He has served as deputy head of Finance Department of the Company since October 2012. Mr. Peng was appointed as a Supervisor of the Company with effect from 28 November 2008.

Mr. Shao Bo (邵波)

aged 49, is the current employee representative Supervisor of the Company and deputy head of the Corporate Management Department. 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 and deputy head of Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Co., Ltd. since November 2003. He served as secretary to the board of directors from November 2003 to January 2009 and director of MCC Capital Engineering & Research Incorporation Limited (中冶京誠工程技術有限公司) from November 2003 to November 2012. 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 from January 2009 to September 2012, 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 and deputy head of the Corporate Management Department since September 2012. Mr. Shao was appointed as the employee representative Supervisor of the Company with effect from 18 January 2011.

3. *SENIOR MANAGEMENT*

Mr. Shen Heting (沈鶴庭)

see "Directors" as stated above.

Ms. Huang Dan (黃丹)

aged 51, is the vice president of the Company. Ms. Huang is a professor-level senior engineer who graduated from the Central-South Institute with a Bachelor's degree in mineral processing and a doctoral degree in iron and steel metallurgy. Ms. Huang joined the Company in January 1982. Previously she had served as associate engineer, engineer, senior engineer and professor-level senior engineer of the Mineral Separation Office, director of the Department of Science and Technology, director of the Department of Personnel, assistant to the president and president of Changsha Metallurgical Design & Research Institute. Ms. Huang was the chairman and general manager of Zhong Ye Chang Tian 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 54, 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.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Li Shiyu (李世鈺)

aged 56, 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 49, 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.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Mr. Wang Xiufeng (王秀峰)

aged 42, 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 55, 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, standing 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 Communist 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.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

4. *JOINT COMPANY SECRETARIES*

Mr. Kang Chengye (康承業)

See "Senior Management" as stated above.

Ms. Ma Sau Kuen Gloria (馬秀絹)

aged 54, 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 (凱譽香港有限公司, 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.

(III) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 31 August 2012, the Board of the Company received the written resignation report tendered by Mr. Wang Weimin, vice chairman. Mr. Wang Weimin tendered his resignation to the Board from the positions of Director, the vice chairman and member of the special committees under the Board of the Company due to job change. On the same date, the Supervisory Committee of the Company received the written resignation tendered by Mr. Han Changlin, the chairman of the Supervisory Committee. Mr. Han Changlin resigned from the positions of Supervisor and the chairman of the Supervisory Committee as he has reached the statutory retirement age. The number of the Supervisors of the Supervisory Committee is less than the minimum due to the resignation of Mr. Han Changlin. Mr. Han Changlin shall, prior to the assumption of office of the newly elected Supervisor, continue to perform his duty as the Supervisor (for details, please refer to the Company's announcement published on 31 August 2012).

On 29 October 2012, the Company held its second Assembly of Employee Representatives in 2012. It was decided that Mr. Guo Wenqing no longer serve as the employee representative Director of the Company and Mr. Lin Jinzhen be lawfully elected as the new employee representative Director of the Company. The first extraordinary general meeting in 2012 was held and Mr. Guo Wenqing was elected as an executive Director of the first session of the Board of the Company, whilst Mr. Shan Zhongli was elected as Supervisor of the first session of the Supervisory Committee of the Company. The 42nd meeting of the first session of the Board was held and Mr. Guo Wenqing was elected as the vice chairman of the first session of the Board of the Company. The 17th meeting of the first session of the Supervisory Committee was also held and Mr. Shan Zhongli was elected as the chairman of the first session of the Supervisory Committee of the Company (for details, please refer to the Company's announcements published on 29 October 2012).

(IV) 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).

(V) 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 was entered into by the Company, its subsidiaries or subsidiaries of its holding company.

(VI) 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.

(VII) DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The 2012 emoluments received by the existing Directors and Supervisors of the Company and those resigned during the Reporting Period were as follows:

Name	Basic salaries, housing allowances, other allowances and benefits in-kind *RMB '000*	Contributions to pension plans *RMB '000*	Discretionary bonuses *RMB '000*	Total *RMB '000*
Directors				
Jing Tianliang	251	—	—	251
Wang Weimin	278	22	274	574
Shen Heting	285	33	274	592
Guo Wenqing	258	33	247	538
Jiang Longsheng	178	—	—	178
Wen Keqin	173	—	—	173
Liu Li	170	—	—	170
Chen Yongkuan	151	—	—	151
Cheung Yukming	125	—	—	125
Lin Jinzhen	190	33	326	549
Supervisors				
Han Changlin	256	30	247	533
Shan Zhongli	89	8	60	157
Peng Haiqing	176	33	237	446
Shao Bo	186	33	326	545
	2,766	225	1,991	4,982

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 as compensation for loss of office.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

II. EMPLOYEES AND REMUNERATION POLICY

(I) Remuneration policy for 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 independent non-executive Directors of the Company for 2012 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.

Senior management members are remunerated in accordance with relevant regulations of the SASAC.

(II) Changes in core technical teams or critical technical staff, the impact on the Company and the measures to be adopted

The profile of the core technical staff of the Company was disclosed in its A Share Prospectus. During the Reporting Period, there was generally no change to the core technical staff of the Company.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(III) Overview of the employees of the Company and principal subsidiaries

1. *Overview of employees*

Number of existing staff of the Company	213
Number of existing staff of principal subsidiaries	122,905
Total number of existing staff	123,118
Number of quitted or retired staff to whom the Company and subsidiaries are liable for	134,465

Composition of Professions

Categories of Professions	**Number of persons in the professions**
Engineering and construction	104,108
Equipment manufacturing	9,043
Resources development	9,177
Property development and others	790
Total	123,118

Level of Education

Categories of education level	**Quantity**
Above graduate degree	7,652
Undergraduate degree	38,824
Associate degree	26,645
Below associate degree	49,997
Total	123,118

2. *Remuneration policies*

The Company implements a remuneration system on the basis of market-orientation and performance appraisal. In accordance with applicable regulations, the Company established the pension contribution plan, medical insurance, unemployment insurance, maternity insurance, workers' injury compensation insurance and housing fund for employees. In accordance with applicable laws and regulations, the amount of contribution to the aforesaid social security and housing fund are strictly based on State, provincial and municipal requirements. As approved by relevant authorities, the Company also set up its enterprise annuity for employees according to applicable regulations.

3. *Training plans*

The Company highly emphasizes on the construction of staff training system by enthusiastically consolidating training resources, adopting innovative training methods and enriching training contents. Aiming at creating a professional team of high caliber, the Company has established different channels for staff promotion of different levels. It strives to create a platform and to expand the room for staff development, so that the Company and its staff could advance hand in hand. In 2012, there are 55,002 staff participating trainings, representing a proportion of 40%.

CORPORATE GOVERNANCE REPORT

I. OVERVIEW

During the Reporting Period, the Company had, pursuant to the Company Law, the Securities Law, the Standards on Governance of Listed Companies and the Hong Kong Listing Rules as well as the relevant requirements on the governance of listed companies in the places of listing in the PRC and overseas, standardised its operation, optimised its corporate framework and further improved its governance.

During the Reporting Period, revision and improvement have been made to the existing system of governance of the Company in accordance with relevant rules and regulations in both the PRC and Hong Kong and in consideration of the actual needs of internal control and management of the Company which, among others, were related to the Articles of Association, the Rules of Procedures 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), so as to ensure that the Company's governance activities are conducted in compliance with the laws and regulations and in an orderly manner.

Pursuant to the new requirements of Corporate Governance Code which came into effect on 1 April 2012, the Company amended the Rules of Procedures for Board Meetings and the relevant Work Rules for Special Committees (專門委員會工作細則) of the Board for the purpose of emphasising the requirements of the time devoted by Directors to perform their duties and optimising the corporate governance functions of the Board. In order to improve the terms of reference of relevant special committees, the Company had strengthened the Strategy Committee's function in regularly evaluating the management structure and organisational structure of the Company, enhanced the Finance and Audit Committee's function in assessing the channels for employees of the Company to report occurrences of possible improprieties in financial reporting and internal control and conferred the Nomination Committee a new function of reviewing the structure, number of members and composition of the Board on a regular basis.

Pursuant to the regulatory requirements of the CSRC on profit distribution, the Company amended the Articles of Association and the Rules of Procedures for Board Meetings and specified the profit distribution policy of the Company.

Based on the standards of corporate internal control and the Company's actual situation, the Company amended the Work Rules for the Finance and Audit Committee and the Risk Management Committee, reclassified the duties regarding internal control of the Risk Management Committee and the Finance and Audit Committee, as well as assigned the Risk Management Committee to be wholly in charge of the entire procedure of internal control management.

The Company formulated the Operational Guidelines on the Scope of the Approval System of the Board (《董事會審批制度範疇工作指引》) in relation to the approval authorisation of the fundamental management system, clearly defining the approval authorisation of the Board in each scale and further smoothening the standardised operation between the Board and the management.

As at the end of the Reporting Period, the first session of the Board and 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 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 continue to discharge 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 or 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.

CORPORATE GOVERNANCE REPORT

The Board has reviewed the corporate governance report of the Company. Except for the requirements 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 Corporate Governance Code, "Independent non-executive directors should attend general meetings" as set out in the code provision A.6.7 of the Corporate Governance Code and the code provision C.3.3 regarding the "Terms of Reference of the Audit Committee" of the Corporate Governance Code, the Board is of the view that during the Reporting Period 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 and the Corporate Governance Code which came into effect on 1 April 2012.

II. GENERAL MEETINGS

During the Reporting Period, 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 the 2011 AGM and the first 2012 EGM in accordance with the requirements provided in the Articles of Association and the Terms of Reference of the General Meetings.

On 15 June 2012, the Company convened the 2011 AGM. Mr. Jing Tianliang, Mr. Wang Weimin, Mr. Shen Heting, Mr. Guo Wenqing, Mr. Jiang Longsheng, Mr. Wen Keqin, Mr. Liu Li, Mr. Chen Yongkuan and Mr. Cheung Yukming, Directors of the Company, attended in person. 11 proposals were considered and approved at the meeting. Such proposals involved the work report of the Board, the report of the Supervisory Committee, the proposed final account report and the proposed profit distribution plan for 2011, the guarantee plans of the Company, the appointment of domestic and overseas auditors, the remunerations for Directors and Supervisors, the purchasing of liability insurance for the Directors, Supervisors and senior management, the application for waivers of daily connected transactions/continuing connected transactions, registration and issuance of short-term financing bills as well as the amendments to the Rules of Procedures for Board Meetings. Meanwhile, the 2011 Performance Report by Independent Non-executive Directors of MCC (《中國中冶2011年度獨立非執行董事的述職報告》) was received. Please refer to the announcement of the poll results published by the Company on 15 June 2012 for details of the resolutions. Upon consideration and approval at the AGM, the Company had appointed PricewaterhouseCoopers Zhong Tian CPA Limited Company and PricewaterhouseCoopers Certified Public Accountants as the domestic and international auditor of the Company for 2012 respectively, purchased liability insurance for the Directors, Supervisors and senior management as well as issued short-term financing bills.

On 29 October 2012, the Company convened the first 2012 EGM. Mr. Jing Tianliang, Mr. Shen Heting, Mr. Guo Wenqing, Mr. Jiang Longsheng, Mr. Wen Keqin, Mr. Chen Yongkuan and Mr. Lin Jinzhen, Directors of the Company, attended in person. Mr. Liu Li and Mr. Cheung Yukming, independent non-executive Directors, did not attend due to other official duties. 5 proposals were considered and approved at the meeting. Such proposals involved the election of Directors of the Company, election of Supervisors of the Company, substitution of proceeds for the self-raised funds which have already been invested, and the amendments to the Articles of Association and the Rules of Procedures for Board Meetings. The amendments to the Articles of Association were made pursuant to the regulatory requirements of profit distribution by CSRC, specifying the profit distribution policy of the Company and reclassifying the duties regarding internal control of the Risk Management Committee and the Finance and Audit Committee. Please refer to the announcement of the poll results published by the Company on 29 October 2012 for details of the resolutions. Upon consideration and approval at the AGM, the Company completed the substitution of proceeds for the self-raised funds which had already been invested, the amendments to the Articles of Association as well as the relevant procedures for the registration modification with Administration for Industry and Commerce.

CORPORATE GOVERNANCE REPORT

III. THE BOARD

(I) Composition of the Board

During the Reporting Period, Mr. Wang Weimin resigned from the positions of Director, the Vice Chairman and member of the relevant special committees under the Board on 31 August 2012. Mr. Guo Wenqing no longer served as the employee representative Director from 29 October 2012 and Mr. Lin Jinzhen was elected as the new employee representative Director on the same day. The Company convened the first 2012 EGM on 29 October 2012 to elect Mr. Guo Wenqing nominated by MCC Group, the controlling shareholder of the Company, as executive Director of the Company. It was resolved at the 42nd meeting of the first session of the Board of the Company that Mr. Guo Wenqing be elected as the Vice Chairman of the Company.

As at the end of the Reporting Period, the Board of the Company comprised 9 Directors, 5 of whom were independent non-executive Directors, representing a majority of the members of the Board. Mr. Jing Tianliang served as the Chairman and non-executive Director, Mr. Shen Heting served as the President and executive Director, Mr Guo Wenqing served as the Vice Chairman and executive Director, Mr. Jiang Longsheng, Mr. Wen Keqin, Mr. Liu Li, Mr. Chen Yongkuan and Mr. Cheung Yukming served as independent non-executive Directors, and Mr. Lin Jinzhen served as the employee representative Director (non-executive Director), among whom Mr. Liu Li and Mr. Cheung Yukming have expertise in the fields of finance, financial management and accounting, which was 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 remained independent. The independent non-executive Directors gave 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, other than employee representative 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. During the Reporting Period, the Company purchased liability insurance policies for all directors.

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.

During the Reporting Period, for the purpose of further raising capabilities to perform duties and promptly upgrade professional knowledge and techniques, Mr. Jing Tianliang, Mr. Wang Weimin (resigned on 31 August 2012), Mr. Shen Heting, Mr. Guo Wenqing, Mr. Jiang Longsheng, Mr. Wen Keqin, Mr. Liu Li, Mr. Chen Yongkuan, Mr. Cheung Yukming and Mr. Lin Jinzhen (appointed on 29 October 2012), the Directors of the Company, participated in the specific training on regulatory development organised by the Company on 31 July 2012. In addition, Mr. Shen Heting and Mr. Guo Wenqing participated in the director training organised by the Beijing CSRC, Mr. Jiang Longsheng participated in career training on remuneration distribution organised by the SASAC while Mr. Wen Keqin participated in the subsequent training for independent directors organised by the Shanghai Stock Exchange.

CORPORATE GOVERNANCE REPORT

(II) Board meetings

During the Reporting Period, the Board of the Company held 15 Board meetings (including 13 on-site meetings and 2 meetings held via communications). The attendance of Board meetings by each of the Directors is as follows:

Name of Directors	Number of attendance at Board meetings required for the year	Number of meetings attended in person	Attendance through communication tools	Number of meetings attended by proxy
Jing Tianliang	15	13	2	0
Wang Weimin *Note 1*	10	8	1	1
Shen Heting	15	12	2	1
Guo Wenqing	15	13	2	0
Jiang Longsheng	15	12	2	1
Wen Keqin	15	11	2	2
Liu Li	15	11	2	2
Chen Yongkuan	15	13	2	0
Cheung Yukming	15	7	2	6
Lin Jinzhen[1]	4	3	1	0

Note 1: Please refer to page 108 in the section on changes in Directors, Supervisors and Senior Management.

(III) 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 authorisation 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 the Company's 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. In addition, pursuant to the requirements of Corporate Governance Code, the Board undertakes corporate governance functions such as formulating corporate governance policy and practice and monitoring the trainings for Directors and senior management.

During the Reporting Period, the roles of Chairman and President of the Company were segregated and served by different Directors. Based on the principle of "division of labour 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 Rules of Procedures for Board Meetings and the Work Rules for President of the Company.

CORPORATE GOVERNANCE REPORT

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 candidates for the Secretary to the Board, supervising and examining the performance of each special committee under the Board, organising 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 authorised 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 organisation of the implementation of the resolutions of the Board, the organisation of the implementation of the Company's annual business plans and investment plans formulated by the Board, 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 authorised by the Board.

During the Reporting Period, in face of objective facts such as complex domestic and external economic circumstances and challenges encountered by the Company in transformation and development, based on four key work priorities "Manage Strategies, Discuss Major Issues, Control Risks and Assure Assessment", the Board highly concerned about and vigorously promoted company highlights and tackled difficulties while strengthened scientific rationale of decision-making and risk control.

Firstly, the Board placed its emphasis on exerting its strategic leading role. Coupled with changes in operation environment and corporate realities and after taking into account of operation strategies and management tasks of the Company, the Board opted for adhering to its main business, changed the way of operation and adjusted structure to improve development performance. The Company also adhered to profound reforms to give impetus to structural adjustment, transformation and upgrade. With "management enhances activities" as catalyst, the Company, unleashed overall strength and comprehensively facilitated building on its scale and strength and achieved harmonious development. Also the Board proactively explored the Company's upcoming three years major plans and reforms such as making significant efforts on Group management and control, optimisation and allocation of resources, profound reformation and achieving "zero loss" in its business overseas.

Secondly, the Board highly concerned about risk control. The Board revealed risks and conscientiously analysed the reasons for occurrence. The Board started an area from one point, created "Five Tens" (ten key enterprises to be regulated, ten key engineering projects, ten major investment projects, ten key loss-making enterprises, ten major debtors) dynamic adjustment mechanism and endeavoured to solve those major problems which constrained the Company's existence and development, as to alleviate the pressure of such "serious, big, difficult" problems. The Board cautiously conducted research on overseas resources projects, proposed specific requirements and provided precise opinions on operation regarding existing overseas resources projects and enhanced the risk assessment and control for overseas resources projects.

Thirdly, the Board further strengthened performance assessment on the management. Solutions such as performance assessment on senior management and operating performance assessment on the management were considered and approved. On one hand it paid attention to the operating efficiency in respect of assessment and on the other hand stressed on improvement to management shortcomings, covering existing key operational management issues of the Company in a considerably comprehensive manner. It gave prominence to quantitative assessment on deputy positions of the management of the Company. Based on job duties and division of labour, in line with assessment criteria, the Board reinforced the confirmation of deputy position duties and ensured pressure being imposed on all levels of staff.

Fourthly, the Board increased the weight of scientific rationale in decision-making. The Board optimised investment decision-making structure, adhered to the principles of "making both ends meet" and "acting on what we can deliver", comprehensively standardised investment management and maintained strict control over decision-making process. The Board strived to standardise decision-making flow and process, reinforced verification of issues to be decided, requested the formulating parties preparing feasibility study reports on external investment projects to undertake lifelong legal liability for the truthfulness, reliability, comprehensiveness and completeness thereof, in order to guarantee the accuracy and completeness of decision-making information. Meanwhile, various requirements on the individual due diligence of directors were proposed. Directors conscientiously participated in professional trainings organised by regulatory authorities to improve capability to perform duties. The Board requested its directors, through conscientiously studying meeting materials before Board meetings, demanding the management to confirm and resolve directors' enquiries before meetings in respect of issues in need of further comprehension, as well as taking initiative to increase their frequency of visits to subsidiaries and the depth of the research, to spare no efforts in expanding information collection and exchange channels, keep abreast of the conditions relating production and operation of the Company, as a way to increase the weight of scientific rationale in decision-making.

(IV) Special Committees of the Board

There was a total of 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. Each committee was accountable to the Board. The independent non-executive Directors formed 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 role and professional discussion and consultation function of the relevant special committees. Before special issues were submitted to the Board for consideration, such issues would be submitted to the relevant special committees for thorough investigation where specific review opinions were raised and thus provided a basis of decision-making for the Board. In 2012, opinions proposed by the special committees became more focused, professional and instructive, intensifying the efforts in the final check of assessing major events, while performing important function on improving the work quality of the Board.

CORPORATE GOVERNANCE REPORT

1. *Strategy Committee*

In accordance with the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Strategic Committee, the Strategy Committee shall be 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 authorised by the Board.

At the end of the Reporting Period, the Strategy Committee under the Board of the Company was composed of 7 Directors, namely Mr. Jing Tianliang, Mr. Shen Heting, Mr. Guo Wenqing, Mr. Liu Li, Mr. Chen Yongkuan, Mr. Cheung Yukming and Mr. Lin Jinzhen. Mr. Jing Tianliang served as the chairman.

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

2. *Finance and Audit Committee*

In accordance with the requirements of the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Finance and Audit Committee, the Finance and Audit Committee shall be accountable to the Board and is 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 final accounts and supervising the implementation thereof, 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. The Finance and Audit Committee is also accountable for reviewing the Company's proposals for profit distribution and recovery of losses and making recommendations in respect thereof, 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, proposing the appointment or change of external auditors for financial statements, reviewing the Company's financial information and its disclosure, independently auditing the Company's financial statements and issuing opinions in respect thereof, discharging the control and management of connected transactions of the Company, examining the Company's feedback channels to ensure employees can raise objections to the improprieties in financial reporting, internal control and other areas as well as other duties authorised by the Board.

In accordance with the requirements of paragraphs (f), (g) and (h) of the code provision C.3.3 of the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules, the terms of reference of the Finance and Audit Committee of the Board shall include reviewing financial control, internal control and risk management system of the Company, discussing the internal control system with the management to ensure that the management have performed their duties in establishing an effective internal control system, and considering major investigation findings on internal control matters and management's response to these findings as delegated by the Board or on its own initiative. Since the Company attaches great importance to risk management, it established the Risk Management Committee in 2010 to be responsible for internal control and risk management, therefore leading to a technical deviation from the requirement of paragraphs (f), (g) and (h) of the code provision C.3.3.

CORPORATE GOVERNANCE REPORT

At the end of the Reporting Period, the Finance and Audit Committee under the Board of the Company comprises 5 Directors, namely Mr. Liu Li, Mr. Jing Tianliang, Mr. Jiang Longsheng, Mr. Wen Keqin and Mr. Cheung Yukming. Mr. Liu Li served as the convenor.

During the Reporting Period, the Finance and Audit Committee held 8 meetings, considered 38 issues for discussion, reviewed relevant proposals such as previous periodic reports and financial final accounts, and requested the management to analyse in details the types of reasons for the decrease in profitability of the Company, liaised with external auditors repeatedly for the review and audit for the periodic financial reports, held discussions concerning major issues, completed the examination on annual financial audit of the Company, conducted evaluation and drew conclusions on the work of external auditors, then proposed for re-appointment. The Finance and Audit Committee regularly received the reports of audit prepared by internal auditors of the Company and proposed clear requirements for how the performance of internal audit can serve supporting function on various processes such as decision-making, management and operation of the Company, requested the management to carry out asset impairment testing in a lawful, compliant and timely manner, determined the basis for estimation, the reasons and amount thereof for provision for impairment in respect of impairment of major assets of the Company, so as to ensure in compliance with the requirements of accounting standards and regulatory rules, monitored management of connected transactions of the Company, reviewed the list of the connected persons/parties, examined applications for waivers of daily connected transactions/continuing connected transactions and major non-routine connected transactions and examined the Company's feedback channels. During the Reporting Period, no material of report case relating to financial reports and internal control was received. 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	8	7
Jing Tianliang	8	8
Jiang Longsheng	8	7
Wen Keqin	8	8
Cheung Yukming	8	5

CORPORATE GOVERNANCE REPORT

3. *Nomination Committee*

Pursuant to the requirements of the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Nomination Committee, the Nomination Committee shall be accountable to the Board and is mainly responsible for studying and preparing 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 authorised by the Board. The Nomination Committee should at least once per year studies and examines the structure, size and composition (including skills, knowledge and experience) of the Board, in order to implement strategies of the Company.

At the end of the Reporting Period, the Nomination Committee of the Board of the Company comprised 5 Directors, namely Mr. Wen Keqin, Mr. Shen Heting, Mr. Guo Wenqing, Mr. Jiang Longsheng and Mr. Chen Yongkuan. Mr. Wen Keqin served as the convenor.

During the Reporting Period, the Nomination Committee held one meeting, studying the structure, size and composition (including skills, knowledge and experience) of the Board and agreeing that the structure, size and composition of the Board were in line with the Articles of Association, regulatory requirements and corporate business needs. Mr. Wen Keqin, Mr. Shen Heting, Mr. Guo Wenqing, Mr. Jiang Longsheng and Mr. Chen Yongkuan attended the meeting.

4. *Remuneration Committee*

Pursuant to the requirement of the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Remuneration Committee, the Remuneration Committee shall be accountable to the Board and is mainly responsible for studying and preparing the assessment criteria of Directors and senior management, organising 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 authorised by the Board. Remuneration plans for Directors of the Company proposed by the Remuneration Committee shall be subject to the consent of the Board and submitted to general meetings for consideration and approval prior to implementation. Remuneration distribution plans for the senior management of the Company shall be subject to approval of the Board.

At the end of the Reporting Period, the Remuneration Committee of the Board of the Company comprised 5 Directors, namely Mr. Jiang Longsheng, Mr. Jing Tianliang, Mr. Wen Keqin, Mr. Liu Li and Mr. Chen Yongkuan. Mr. Jiang Longsheng served as the chairman.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Remuneration Committee held 5 meetings and studied 8 issues for discussion. It focused on the discussion of annual performance evaluation of the management, submitted the 2011 remuneration distribution plans for the senior management to the Board and exercised the right to make recommendations on remuneration distribution of the senior management. It also discussed remuneration plans for Directors and Supervisors of the Company for 2011, reviewed the Measures for the Assessment on Operation Performance of the Senior Management of Metallurgical Corporation of China Ltd.* (《中國冶金科工股份有限公司高級管理人員經營業績考核辦法》), opted for the use of guiding principle "shortcoming assessment facilitates management improvement", established control by the use of gearing ratio as a absolute indicator, as well as specified an immediate estimation and evaluation method for the gearing ratio of subsidiaries. Revised measures, after consideration, were submitted to the Board for approval. 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	5	5
Jing Tianliang	5	4
Wen Keqin	5	5
Liu Li	5	3
Chen Yongkuan	5	4

5. *Risk Management Committee*

Pursuant to the requirements of the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Risk Management Committee, the Risk Management Committee shall be accountable to the Board and is 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, proposing the appointment or change of external auditors for internal control, handling other issues authorised by the Board in relation to comprehensive risk management and internal control management and discharging other duties as required by applicable laws, regulations and listing rules of stock exchange on which the shares of the Company are listed.

At the end of the Reporting Period, the Risk Management Committee of the Board of the Company comprised 7 Directors, namely Mr. Jing Tianliang, Mr. Shen Heting, Mr. Guo Wenqing, Mr. Jiang Longsheng, Mr. Liu Li, Mr. Chen Yongkuan and Mr. Cheung Yukming. Mr. Jing Tianliang served as the convenor.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Risk Management Committee held one meeting and considered the evaluation Report on Internal Control of MCC for 2011 (《中國中冶2011年度內部控制評價報告》) and the Work Proposal of Standardisation and Implementation of Internal Control of MCC for 2012 (《中國中冶2012年度內部控制規範實施工作方案》). 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	1	1
Wang Weimin *Note 1*	1	1
Shen Heting	1	1
Guo Wenqing *Note 2*	0	0
Jiang Longsheng	1	1
Liu Li	1	1
Chen Yongkuan	1	1
Cheung Yukming	1	1

Note 1: The first 2012 committee meeting of the Risk Management Committee was convened on 23 March 2012. Mr. Wang Weimin served as the Director of the Company and member of the Risk Management Committee at that time.

Note 2: Mr. Guo Wenqing was appointed as member of the Risk Management Committee of the Company on 29 October 2012.

IV. SUPERVISORY COMMITTEE

During the Reporting Period, Mr. Han Changlin had reached his retirement age and resigned from the position of the Chairman of the Supervisory Committee of the Company. The Company held the first 2012 EGM on 29 October 2012, at which Mr. Shan Zhongli was elected as the Supervisor of the first session of the Supervisory Committee of the Company and the 17th meeting of the first session of the Supervisory Committee was convened, at which Mr. Shan Zhongli was elected as the Chairman of the first session of the Supervisory Committee of the Company.

On 31 December 2012, the Company's Supervisory Committee comprised 3 members, namely Mr. Shan Zhongli, 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 finance, connected transactions 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 14 considered proposals and 4 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 *Note 1*	3	3
Shan Zhongli *Note 1*	2	2
Peng Haiqing	5	5
Shao Bo	5	5

Note 1: On 29 October 2012 Mr. Han Changlin officially retired from the Supervisory committee of the Company and Mr. Shan Zhongli was appointed as the Chairman of the Supervisory committee of the Company on the same day.

During the Reporting Period, the Supervisory Committee of the Company reviewed the financial reports which were disclosed on a regular basis by the Company, conscientiously studied the final account and profit distribution reports for 2011 and supervised the internal control, the lists of related parties/ connected persons as well as the management and utilisation 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.

CORPORATE GOVERNANCE REPORT

II. Establishment of the internal control regime

During the Reporting Period, the Company strengthened its compliance with all laws and regulations in all respect. Catering to the internal demand for improvement of corporate management, it focused on the alignment between the internal control system and risk management. The Company designated all functional departments to emphasize on key businesses and major risks according, and revised all basic regimes, management measures and implementation rules of the Company according to its risk mapping. MCC promulgated all regulations and regimes in strict compliance with relevant requirements in corporate governance and undertook the corresponding procedures of drafting, consultation and review to ensure a rational and serious design of system. The Compilation of Internal Control System covers 166 internal control regimes such as corporate governance and organisation as well as structure, strategies and investment management, human resources management, social responsibility, legal management, operational management, financial management, fund management, auditing management, technology and intellectual property management and information technology.

The Company established a comprehensive financial management system including, among others financial reporting, budget management, capital management, management of financial staff and information, assets management, cost management 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 ("財務報告編製進度管理辦法"), 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"), covering 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 been 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.

The Company prepared and disclosed the Evaluation Report on Internal Control ("內部控制評價報告").

III. Relevant explanations on the audit report of internal control

PricewaterhouseCoopers Zhong Tian CPAs Limited Company issued the internal control audit report and is of the opinion that as at 31 December 2012, the Company had maintained an effective internal control of its financial report in all major respect with reference to the Basic Standard for Enterprise Internal Control ("企業內部控制基本規範") and relevant requirements.

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 2012, 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 128 to 129 of this annual report.

VIII. AUDITOR'S REMUNERATION

The Company appointed PricewaterhouseCoopers Certified Public Accountants (''PwC Hong Kong'') and PricewaterhouseCoopers Zhong Tian CPAs Limited Company (''PwC Zhong Tian'') as the international and domestic auditors, respectively, of the Company. Other than annual financial auditing, PwC Zhong Tian also provided internal control auditing services for the Company, statutory auditing of the financial condition of certain subsidiaries in the PRC and other non-audit services.

The remuneration of independent auditors for 2012 is set out in auditors' remuneration in note 31 to the consolidated financial statements.

IX. INFORMATION DISCLOSURE

During the Reporting Period, the Company had organised and completed the work of information disclosure in strict compliance with relevant requirements of CSRC, Shanghai Stock Exchange and Hong Kong Stock Exchange. Pursuant to the principle of concurrent disclosure by companies listed across the border and by means of statutory channels such as designated newspapers and websites, the Company had made all statutory disclosures in a truthful, accurate, complete, timely and fair manner.

1. The Company further refined relevant systems, completed and reinforced the specific arrangement for information disclosure. During the Reporting Period, pursuant to the relevant regulatory requirements and in consideration of the actual conditions of the information disclosure, the Company amended the "Management Rules of Information Disclosure of MCC (中國中冶信息披露管理辦法)" and "Implementation Rules of Information Disclosure of MCC (中國中冶信息披露管理實施細則)", which completed and solidified the relevant arrangement of information disclosure in terms of system, in a bid to promote an orderly development of the disclosure.

2. The Company strengthened the awareness of the organisation as a public company and promoted the establishment of an information report system through more intensive regulatory rules trainings for the Company's management at headquarters and the setting up of the system and business of secretaries to the board at subsidiary levels. During the Reporting Period, the Company invited lawyers for compliance of A+H shares to train the management above the department level of the Company for regulatory trends, which specified the regulatory requirements and enhanced the compliance awareness in the Company to ensure that the information disclosure was carried out legitimately and orderly. In addition, the Company continued to organize the annual trainings for the secretaries to the board of the subsidiaries of the Company, in order to boost their awareness of internal control and promote the latest regulatory requirements. During the trainings, the difficult and key points concerning the collection and report of discloseable information were addressed, and in-depth communication and discussion helped the subsidiaries improve their prejudgment and information collection.

CORPORATE GOVERNANCE REPORT

3. The Company had further explored and promoted effective and voluntary information disclosure in a bid to enhance transparency of the Company. During the Reporting Period, regular disclosure of newly signed contracts has been made monthly to enhance the transparency of the Company's daily operation. In addition, in strict compliance with relevant regulations, the Company has closely followed up the disclosed matters and summarised related information into the periodic reports. Based on prejudgment and arrangement of important issues that concern the market, the Company has made voluntary disclosure to the market by means of announcements or periodic reports, which built the image of a listed company with integrity and responsibility.

X. INVESTOR RELATIONS

In face of the challenging external environment in 2012, the Company paid more attention to investor relations management. It amended and refined the management system of investor relations and stepped up efforts in communications with investors, analysts and financial media, in order to protect the statutory rights and interest of the investors, especially the small and medium investors. These efforts earned the Company the accolade of "The Board of a Listed Company with the Best Investor Relations in 2012 (2012年上市公司最佳投資者關係董事會)" in the capital market.

1. The Company further implemented the regulatory requirements of securities and amended the management system on investor relations. Pursuant to the relevant amendments to Corporate Governance Code and Listing Rules by Hong Kong Stock Exchange, the Company carried out relevant policies including investor communications. According to the requirement in the "Notice on Further Enhancement of the Management of Investor Relations of Listed Companies(關於進一步加強上市公司投資者關係管理工作的通知)" promulgated by Shanghai Stock Exchange and in consideration of the practices in the three years since its listing, the Company amended the "Management System of Investor Relations of MCC(中國中冶投資者關係管理制度)". The amendments cover the principle of fair treatment of all the investors, information communication channels, defining the breach of rules, accountability, supervisory review and organising trainings.

2. To deepen investors' understanding of the Company, it strengthened the communications with the investors, analysts and financial media in the capital market. During the Reporting Period, the Company stepped up efforts in communications with investors, analysts and financial media. It held 26 reception events for investors and analysts in the whole year, including 5 large research groups of investors. The Company also attended two strategic conferences of analysts and responded to the enquiry from the media proactively. The press conference for the annual and interim results enabled the Company to communicate with institutional investors and analysts at home and abroad. In order to enhance the investors' understanding of MCC in the capital market, the Company took the initiative to launch the reverse road show. Investors were invited to visit three subsidiaries in Beijing and Tianjing to learn the development of the traditional core businesses of the Company as well as the expansion of the restructured businesses.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Company maintained daily communications with investors through investor relations hotline and email. Besides, the general meeting bestowed the Company the opportunity to serve the investors. The Company issued the notice and circular of meetings as well as the materials concerning the resolutions at the meetings according to the regulatory requirements, inviting the investors, especially small and medium investors, to attend general meetings. During the meetings, the Directors, Supervisors and senior management would answer enquiries from investors, especially small and medium investors, during a time exclusively left for investor communication. After the meeting, the Company would issue the announcements of resolutions and voting results of the general meeting timely for the convenient use of investors.

XI. RIGHTS OF INVESTORS

To safeguard the statutory rights of investors, the Article 66 of the Articles of Association of the Company prescribes that the Shareholders holding more than 10% of the Company's shares either independently or collectively can request an extraordinary general meeting in writing. In addition, the Articles 71 and 76 of the Articles of Association of the Company prescribe that the Shareholders holding more than 10% of the shares that are entitled to voting rights at the meeting requested either independently or collectively can execute one or several written requests of the same format and content to propose the Board to convene extraordinary general meeting or class meeting of shareholders and elaborate the subject of the meeting. Shareholders holding more than 3% of the Company's Shares either independently or collectively can raise extraordinary proposal and submit in writing to the chairman 10 days prior to the general meeting. The chairman shall issue supplementary notice to the general meeting within 2 days upon receipt of the proposal to announce the content thereof. The aforesaid written requests can be delivered to the place of business of the Company. The Company set an exclusive session for communication with Shareholders in the general meeting, during which Shareholders can raise their concerns and suggestions. Shareholders can also lodge their enquiries and suggestions through investor relations hotline (+86-10-5986-8666), fax (+86-10-5986-8999) and email (ir@mccchina.com).

XII. COMPANY SECRETARY

The Company appointed Ms. Ma Sau Kuen Gloria (a director of KCS Hong Kong Limited) as one of the Joint Company Secretaries. Mr. Kang Chengye, Secretary to the Board of the Company, served as her key communication personnel within the Company.

Pursuant to the Rule 3.29 to the Listing Rules, as at the year ended 31 December 2012, Mr. Kang Chengye, Secretary to the Board and Joint Company Secretary, and Ms. Ma Sau Kuen Gloria, Joint Company Secretary, both attended the professional skills trainings for not less than 15 hours.

INDEPENDENT AUDITOR'S REPORT

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 130 to 271, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 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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INDEPENDENT AUDITOR'S REPORT

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 2012, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2013

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2012 RMB 'million	2011 RMB 'million
ASSETS			
Non-current assets			
Property, plant and equipment	6	39,333	42,533
Land use rights	7	6,323	8,195
Mining rights	8	2,457	5,025
Investment properties	9	1,574	978
Intangible assets	10	7,041	6,992
Investments in associates	12	2,504	1,980
Available-for-sale financial assets	14	1,348	1,479
Deferred income tax assets	28	2,678	2,592
Trade and other receivables	15	23,492	22,239
Other non-current assets		222	334
		86,972	92,347
Current assets			
Inventories	18	9,467	13,896
Properties under development	18	56,677	54,844
Completed properties held for sale	18	7,694	4,277
Trade and other receivables	15	93,713	87,880
Amounts due from customers for contract work	17	36,502	33,104
Available-for-sale financial assets	14	700	50
Financial assets at fair value through profit or loss	16	302	352
Restricted cash	19	2,124	2,560
Cash and cash equivalents	20	32,084	42,721
		239,263	239,684
Total assets		326,235	332,031

The notes on pages 141 to 271 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2012 RMB 'million	2011 RMB 'million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	21	19,110	19,110
Reserves	22	22,039	29,093
— Proposed dividend	38	—	—
— Other reserves		22,039	29,093
		41,149	48,203
Non-controlling interests		11,653	9,972
Total equity		52,802	58,175
LIABILITIES			
Non-current liabilities			
Borrowings	24	57,065	52,485
Deferred income	25	1,477	1,636
Retirement and other supplemental benefit obligations	26	4,715	5,405
Provisions for other liabilities and charges	27	66	79
Trade and other payables	23	222	357
Deferred income tax liabilities	28	536	524
		64,081	60,486
Current liabilities			
Trade and other payables	23	121,867	114,773
Amounts due to customers for contract work	17	11,029	11,825
Current income tax liabilities		1,414	1,464
Borrowings	24	74,437	84,676
Retirement and other supplemental benefit obligations	26	605	632
		209,352	213,370
Total liabilities		273,433	273,856
Total equity and liabilities		326,235	332,031
Net current assets		29,911	26,314
Total assets less current liabilities		116,883	118,661

On behalf of the board

Jing Tianliang
Director

Shen Heting
Director

The notes on pages 141 to 271 are an integral part of these consolidated financial statements.

BALANCE SHEET OF THE COMPANY

		As at 31 December	
		2012	2011
	Note	***RMB 'million***	*RMB 'million*
ASSETS			
Non-current assets			
Property, plant and equipment		**202**	208
Intangible assets		**14**	12
Investments in subsidiaries	11	**55,205**	54,791
Trade and other receivables	15	**5,385**	11,809
		60,806	66,820
Current assets			
Inventories		**54**	2
Trade and other receivables	15	**36,520**	40,143
Amounts due from customers for contract work	17	**517**	174
Cash and cash equivalents	20	**9,211**	14,153
		46,302	54,472
Total assets		**107,108**	121,292
EQUITY			
Share capital	21	**19,110**	19,110
Reserves	22	**20,311**	32,878
Total equity		**39,421**	51,988

The notes on pages 141 to 271 are an integral part of these consolidated financial statements.

BALANCE SHEET OF THE COMPANY

		As at 31 December	
		2012	2011
	Note	***RMB 'million***	*RMB 'million*
LIABILITIES			
Non-current liabilities			
Borrowings	24	**21,311**	23,522
Deferred income		**1**	—
Retirement and other supplemental benefit obligations		**22**	25
		21,334	23,547
Current liabilities			
Trade and other payables	23	**10,173**	11,821
Amounts due to customers for contract work	17	**690**	862
Borrowings	24	**35,486**	33,070
Retirement and other supplemental benefit obligations		**4**	4
		46,353	45,757
Total liabilities		**67,687**	69,304
Total equity and liabilities		**107,108**	121,292
Net current (liabilities)/assets		**(51)**	8,715
Total assets less current liabilities		**60,755**	75,535

On behalf of the board

Jing Tianliang
Director

Shen Heting
Director

The notes on pages 141 to 271 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2012 RMB 'million	2011 RMB 'million As restated
Continuing operations			
Revenue	5	**216,242**	222,113
Cost of sales	31	**(200,202)**	(200,497)
Gross profit		**16,040**	21,616
Selling and marketing expenses	31	**(1,622)**	(1,792)
Administrative expenses	31	**(11,116)**	(11,076)
Other income	29	**1,041**	1,347
Other gains - net	30	**480**	791
Other expenses		**(117)**	(158)
Operating profit		**4,706**	10,728
Finance income	33	**1,828**	1,623
Finance costs	33	**(4,695)**	(3,527)
Share of profits of associates	12	**16**	56
Profit before income tax		**1,855**	8,880
Income tax expense	35	**(2,988)**	(2,983)
(Loss)/profit for the year from continuing operations		**(1,133)**	5,897
Discontinued operations			
Loss for the year from discontinued operations	41	**(9,322)**	(2,185)
(Loss)/profit for the year		**(10,455)**	3,712
(Loss)/profit attributable to:			
Equity holders of the Company		**(6,952)**	4,243
Non-controlling interests		**(3,503)**	(531)
		(10,455)	3,712
(Loss)/profit attributable to equity holders of the Company arising from:			
Continuing operations		**(1,574)**	4,907
Discontinued operations		**(5,378)**	(664)
		(6,952)	4,243

The notes on pages 141 to 271 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2012	2011
	Note	***RMB***	*RMB*
			As restated
(Loss)/earnings per share from continuing and discontinued operations attributable to equity holders of the Company during the year			
Basic (loss)/earnings per share			
From continuing operations		**(0.08)**	0.26
From discontinued operations		**(0.28)**	(0.04)
Loss/profit for the year	37	**(0.36)**	0.22
Diluted (loss)/earnings per share			
From continuing operations		**(0.08)**	0.26
From discontinued operations		**(0.28)**	(0.04)
Loss/profit for the year	37	**(0.36)**	0.22

Details of dividends attributable to equity holders of the Company for the years ended 31 December 2012 and 2011 are set out in Note 38.

The notes on pages 141 to 271 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
(Loss)/profit for the year	**(10,455)**	3,712
Other comprehensive loss		
Fair value losses on available-for-sale financial assets, net of tax	**(27)**	(131)
Currency translation differences	**(83)**	(176)
Other comprehensive loss for the year, net of tax	**(110)**	(307)
Total comprehensive (loss)/income for the year	**(10,565)**	3,405
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	**(7,052)**	3,964
Non-controlling interests	**(3,513)**	(559)
	(10,565)	3,405
Total comprehensive (loss)/income attributable to equity holders of the Company arising from:		
Continuing operations	**(1,674)**	4,628
Discontinued operations	**(5,378)**	(664)
	(7,052)	3,964

The notes on pages 141 to 271 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company						
		Share capital	Capital premium	Other reserves	Retained earnings	Subtotal	Non-controlling interests	Total
	Note	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*
At 1 January 2011		19,110	17,948	308	7,605	44,971	8,541	53,512
Profit/(loss) for the year		—	—	—	4,243	4,243	(531)	3,712
Other comprehensive loss:								
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 (loss)/ income for the year		—	—	(279)	4,243	3,964	(559)	3,405
Transaction with owners:								
Dividends	38	—	—	—	(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 141 to 271 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to equity holders of the Company						
	Note	Share capital RMB 'million	Capital premium RMB 'million	Other reserves RMB 'million	Retained earnings RMB 'million	Subtotal RMB 'million	Non-controlling interests RMB 'million	Total RMB 'million
At 31 December 2011		19,110	17,948	195	10,950	48,203	9,972	58,175
Loss for the year		—	—	—	(6,952)	(6,952)	(3,503)	(10,455)
Other comprehensive loss:								
Fair value losses on available-for-sale financial assets, net of tax		—	—	(24)	—	(24)	(3)	(27)
Currency translation differences		—	—	(76)	—	(76)	(7)	(83)
Total comprehensive loss for the year		—	—	(100)	(6,952)	(7,052)	(3,513)	(10,565)
Transaction with owners:								
Dividends	38	—	—	—	—	—	(393)	(393)
Transaction with non-controlling interests		—	—	(2)	—	(2)	(97)	(99)
Attributable to set-up of subsidiaries		—	—	—	—	—	21	21
Liquidation/disposal of subsidiaries		—	—	—	—	—	5,570	5,570
Investments in subsidiaries transferred to investments in associates		—	—	—	—	—	(277)	(277)
Additional capital injection from owners and non-controlling interests proportionally		—	—	—	—	—	370	370
Total transaction with owners		—	—	(2)	—	(2)	5,194	5,192
At 31 December 2012		19,110	17,948	93	3,998	41,149	11,653	52,802

The notes on pages 141 to 271 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2012	2011
	Note	***RMB 'million***	*RMB 'million*
Cash flows from operating activities			
Cash generated from/(used in) operations	39	**7,537**	(9,403)
Income tax paid		**(3,150)**	(3,228)
Net cash generated from/(used in) operating activities		**4,387**	(12,631)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(4,891)**	(8,612)
Purchases of land use rights		**(102)**	(393)
Purchases of mining rights		**(341)**	(505)
Purchases of investment properties		**(6)**	(2)
Purchases of intangible assets		**(340)**	(539)
Purchases of available-for-sale financial assets		**(1,310)**	(569)
Increase in investments in associates		**(91)**	(120)
Refund of prepayment for investments		**679**	—
Amounts (paid to)/received from related parties and third parties		**(57)**	20
Proceeds from disposal of property, plant and equipment		**272**	239
Proceeds from disposal of land use rights		**81**	202
Proceeds from disposal of mining rights		**—**	8
Proceeds from disposal of investment properties		**1**	29
Proceeds from disposal of intangible assets		**12**	11
Proceeds from disposal of available-for-sale financial assets		**762**	652
Proceeds from held-to-maturity financial assets upon maturity date		**—**	272
Proceeds from disposal of investments in associates		**140**	1
Net cash outflow from losing control of subsidiaries		**(4)**	(40)
Net cash inflow from disposal of subsidiaries	40, 41	**141**	794
Transaction with non-controlling interests		**(102)**	(235)
Dividends received		**100**	147
Cash inflow from asset related government grants		**166**	765
Net cash used in investing activities		**(4,890)**	(7,875)

The notes on pages 141 to 271 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Cash flows from financing activities		
Proceeds from borrowings	**90,105**	98,847
Repayments of borrowings	**(90,969)**	(69,536)
Contribution received from non-controlling interests	**339**	2,839
Dividends paid	**(278)**	(1,251)
Interest paid	**(9,497)**	(6,572)
Changes in restricted cash	**210**	(308)
Cash outflow from lease payments under finance leases	**(23)**	(30)
Net cash (used in)/generated from financing activities	**(10,113)**	23,989
Net (decrease)/increase in cash and cash equivalents	**(10,616)**	3,483
Cash and cash equivalents at beginning of the year	**42,721**	39,302
Exchange losses on cash and cash equivalents	**(21)**	(64)
Cash and cash equivalents at end of the year	**32,084**	42,721

The notes on pages 141 to 271 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED 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.

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

(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 ("engineering and construction activities");

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

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

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

(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 of Metallurgical Corporation of China Ltd. have been prepared in accordance with International Financial Reporting Standards (the "IFRS"). These consolidated financial statements have been prepared under the historical cost convention, as 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.1 Basis of preparation *(Continued)*

2.1.1 Discontinued operations

On 31 December 2012, the Company disposed all of its 51.06% equity interests in its subsidiary, MCC Huludao Nonferrous Metals Group Co., Ltd. ("Huludao Nonferrous") to the Parent. In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" issued by the International Accounting Standards Board ("IFRS 5"), the operating results of Huludao Nonferrous and its subsidiaries ("Huludao Nonferrous Group") have been presented as discontinued operations in the consolidated income statement for the year ended 31 December 2012. The 2011 comparative figures for the consolidated income statement were also reclassified as discontinued operations accordingly.

Details are disclosed in Note 41.

2.1.2 Changes in accounting policy and disclosures

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Amendment to IAS 1 is effective for annual periods beginning on or after 1 July 2012, the Group is yet to assess IAS 1's full impact and intends to adopt IAS 1 no later than the accounting period beginning on 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, which are largely aligned between IFRSs and US GAAP, 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 or US GAAP. 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 1 January 2013.

IAS 19, 'Employee benefits', was amended in June 2011. The impact on the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is yet to assets IAS19's full impact and intends to adopt IFRS 19 no later than the accounting period beginning on 1 January 2013.

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

2.1 Basis of preparation *(Continued)*

2.1.2 Changes in accounting policy and disclosures (Continued)

New standards and interpretations not yet adopted (Continued)

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 2011. 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 consolidated 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 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

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 has assessed IFRS 10's impact. It is not expected to have a material impact on the Group's financial statements.

IFRIC 20, 'Stripping costs in the production phase of a surface mine', The interpretation sets out the accounting for overburden waste removal (stripping) costs that are incurred in surface mining activity during the production phase of a mine. It may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. The Group is yet to assess IFRIC 20's full impact and intends to adopt IFRIC 20 no later than the accounting period beginning on 1 January 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2 Subsidiaries

2.2.1 Consolidation

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.

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.

(a) Business combination

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. 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.

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

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(a) Business combination *(Continued)*

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.11(a)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the consolidated income statement.

(b) Transactions with non-controlling interests

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

(c) Disposal of subsidiaries

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.

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

2.2 Subsidiaries *(Continued)*

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 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 2.12 for the impairment of non-financial assets including goodwill.

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.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profits/(losses) of associates' in the consolidated income statement.

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

2.3 Associates *(Continued)*

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are 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.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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.

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

2.5 Foreign currency translation *(Continued)*

(c) *Group companies*

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

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

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

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

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

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

2.6 Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.6 Property, plant and equipment *(Continued)*

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

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

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

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

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

2.7 Deferred overburden removal costs

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

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

2.7 Deferred overburden removal costs *(Continued)*

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

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

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

Capitalised development stripping costs are classified as "Plant and machinery" and capitalised production stripping costs are classified as "Mining structures". These assets are considered in combination with other assets of an operation for the purpose of undertaking impairment assessment. Depreciation policy on these assets is described in Note 2.6.

2.8 Land use rights

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

2.9 Mining rights

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

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

2.10 Properties

(a) *Investment properties*

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

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

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

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

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

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

(b) *Properties under development and completed properties held for sale*

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and completed properties held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates, and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.11 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 interest will be charged to the consolidated income statement accordingly over the concession period.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.13 Financial assets

2.13.1 Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

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

(c) Held-to-maturity financial assets

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

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

2.13 Financial assets *(Continued)*

2.13.1 Classification (Continued)

(d) Available-for-sale financial assets

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

2.13.2 Recognition and measurement

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

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "other gains/(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 statement as part of "other income" when the Group's right to receive payments is established.

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

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

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

2.14 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

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

The Group first assesses whether objective evidence of impairment exists.

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

2.14 Impairment of financial assets *(Continued)*

(a) Assets carried at amortised cost (Continued)

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

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

(b) Assets classified as available for sale

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

2.15 Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.16 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.17 Cash and cash equivalents

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

2.18 Share capital

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

2.19 Trade payables

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

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

2.20 Borrowings and borrowing costs

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

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

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

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

2.21 Current and deferred income tax

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax 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.

2.22 Employee benefits

(a) Pension obligations

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

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

2.22 Employee benefits *(Continued)*

(a) Pension obligations (Continued)

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

(b) Other post-employment obligations

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

(c) Termination and early retirement benefits

Termination and early retirement benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and district of the employee concerned.

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

2.22 Employee benefits *(Continued)*

(d) *Housing funds*

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

(e) *Bonus entitlements*

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

2.23 Provisions

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

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

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

2.24 Restoration and rehabilitation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.24 Restoration and rehabilitation *(Continued)*

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

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

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

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

2.25 Government grants

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

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

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

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

2.26 Contract work

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

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

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

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

2.27 Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

2.27 Revenue recognition *(Continued)*

(a) Revenue from construction and service contracts

When the outcome of a contract can be estimated reliably, revenue from construction and service contracts is 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 statement in the period in which the circumstances that give rise to the revision become known by management.

(b) Revenue from mining

Revenue from mining is recognised when the risks and rewards in relation to sales of mining products 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.

(e) Sales of products

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

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

2.27 Revenue recognition *(Continued)*

(f) *Rental income*

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

(g) *Interest income*

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

(h) *Dividend income*

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

2.28 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.29 Research and development

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.29 Research and development *(Continued)*

(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.

2.30 Dividend distribution

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

2.31 Financial guarantee contract

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

2.32 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

2.32 Discontinued operations *(Continued)*

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

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, sales 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 ("USD"), Australian Dollar ("AUD") and European Dollar ("EUR").

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

As at 31 December 2012, if RMB had strengthened/weakened by 5% (2011: 5%) against USD, AUD, EUR and other foreign currencies with all other variables held constant, which were considered reasonably possible by management, the profit after tax for the year ended 31 December 2012 would have been approximately RMB56 million higher/lower (2011: RMB13 million lower/higher), mainly as a result of foreign exchange gains/losses on translation of USD, AUD, EUR and other foreign currencies denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(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, 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 2012, approximately RMB299 million (2011: RMB498 million) of the Group's restricted cash, approximately RMB435 million (2011: RMB503 million) of the Group's cash and cash equivalents and approximately RMB70,299 million (2011: RMB54,658 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, and borrowings are disclosed in Notes 19, 20 and 24 respectively.

To monitor the impact of interest rate fluctuations, the Group continually assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. The interest rates and maturities of these borrowings were disclosed in Note 24.

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

As at 31 December 2012, if the respective interest rates on RMB-denominated borrowings and USD and other currency-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, which was considered reasonably possible by management, profit after income tax for the year ended 31 December 2012 would have been RMB175 million lower/higher and RMB28 million lower/higher respectively, (2011: RMB178 million lower/higher and RMB24 million lower/higher), mainly as a result of higher/lower interest expenses on bank borrowings and trade and other payables.

(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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Price risk (Continued)

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	
	2012	2011
Change in equity price	**10%**	10%

	Year ended 31 December	
	2012	2011
	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	**23**	26
— as a result of decrease in equity price	**(23)**	(26)
Impact on equity		
Increase/(decrease) in equity for the year		
— as a result of increase in equity price	**25**	28
— as a result of decrease in equity price	**(25)**	(28)

(d) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables (except for prepayment and staff advances), and the nominal value of the guarantees provided on liabilities as disclosed in Note 42 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 and restricted cash 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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

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

Group

	Less than 1 year *RMB 'million*	Between 1 and 2 years *RMB 'million*	Between 2 and 5 years *RMB 'million*	Over 5 years *RMB 'million*	Total *RMB 'million*
As at 31 December 2012					
Borrowings	**84,262**	**28,523**	**25,314**	**31,283**	**169,382**
Trade and other payables	**84,417**	**222**	**—**	**—**	**84,639**
	168,679	**28,745**	**25,314**	**31,283**	**254,021**
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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk (Continued)

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 2012					
Borrowings	37,857	2,528	7,557	16,814	64,756
Trade and other payables	9,688	—	—	—	9,688
	47,545	2,528	7,557	16,814	74,444
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

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).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation *(Continued)*

The following table presents the Group's assets that are measured at fair value as at 31 December 2012:

	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 16)*	302	—	—	302
Available-for-sale financial assets *(Note 14)*	338	1,710	—	2,048
Total assets	640	1,710	—	2,350

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 16)*	352	—	—	352
Available-for-sale financial assets *(Note 14)*	368	1,161	—	1,529
Total assets	720	1,161	—	1,881

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. FINANCIAL RISK MANAGEMENT *(Continued)*

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 2012 are as follows:

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Total borrowings *(Note 24)*	**131,502**	137,161
Less: Cash and cash equivalents *(Note 20)*	**(32,084)**	(42,721)
Net debt	**99,418**	94,440
Total equity	**52,802**	58,175
Total capital	**152,220**	152,615
Gearing ratio	**65%**	62%

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.

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

(a) Construction contracts

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

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

Please refer to Note 17 for additional disclosure on certain construction contracts.

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

The Group's management determines the residual values, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual values 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 values or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of 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 2012. The pre-tax discount rates used by the Group to calculate discounted future cash flows are from 9.88% to 22.31%. The provision for impairment of property, plant and equipment, land use rights, mining rights and goodwill were made by the Group based on the recoverable amount and disclosed in Note 6(c), Note 7(c), Note 8(b) and Note 10(c). The provision for impairment of investments in subsidiaries and trade and other receivables was provided by the Company based on the recoverable amount, and is disclosed in Note 11(i) and Note 15(i).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(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.

(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 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 results are operating profits without unallocated costs deducted.

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), investments in associates (Note 12) and other non-current assets.

5. SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 31 December 2012:

The segment results for the year ended 31 December 2012 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	174,993	11,307	2,778	25,226	5,276	(3,338)	216,242
Inter-segment revenue	(2,542)	(529)	(198)	(54)	(15)	3,338	—
Revenue	172,451	10,778	2,580	25,172	5,261	—	216,242
Segment results	6,040	(668)	(3,697)	3,825	(258)	(311)	4,931
Unallocated costs							(225)
Operating profit							4,706
Finance income	1,450	55	27	337	518	(559)	1,828
Interest income	1,359	53	27	333	518	(559)	1,731
Other finance income	91	2	—	4	—	—	97
Finance costs	(4,087)	(314)	(235)	(231)	(387)	559	(4,695)
Interest expense	(4,012)	(303)	(225)	(240)	(386)	559	(4,607)
Other finance costs	(75)	(11)	(10)	9	(1)	—	(88)
Share of profits/ (losses) of associates	18	6	—	(8)	—	—	16
Profit before income tax and discontinued operations							1,855
Income tax expense	(1329)	(1)	134	(1,696)	(96)	—	(2,988)
Loss for the year from continuing operations							(1,133)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 31 December 2012: *(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 31)*	1,280	507	406	41	26	2,260
Amortisation	249	41	23	9	30	352
Provision for impairment of property, plant and equipment *(Note 31)*	14	151	890	—	—	1,055
Provision for impairment of inventories *(Note 31)*	44	320	119	—	143	626
Foreseeable losses on construction contracts *(Note 31)*	288	—	—	—	—	288
Provision for impairment of trade and other receivables *(Note 31)*	1,142	78	2	13	120	1,355
Provision for impairment of mining rights *(Note 31)*	—	—	2,296	—	—	2,296
Provision for impairment of goodwill *(Note 31)*	7	10	—	1	—	18
Provision for impairment of properties under development *(Note 31)*	—	—	—	55	—	55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 31 December 2012: *(Continued)*

The segment assets and liabilities as at 31 December 2012 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	193,726	21,955	22,991	110,693	16,062	(46,724)	318,703
Investments in associates	1,839	—	—	665	—	—	2,504
Unallocated assets							5,028
Total assets							326,235
Liabilities							
Segment liabilities	188,058	14,926	17,888	90,669	13,644	(52,288)	272,897
Unallocated liabilities							536
Total liabilities							273,433
Additions to non-current assets arise from:							
Continuing operations	3,815	1,298	2,182	485	36	—	7,816
Discontinued operations	—	—	422	—	—	—	422
	3,815	1,298	2,604	485	36	—	8,238

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

	Assets *RMB 'million*	**Liabilities** *RMB 'million*
Segment assets/liabilities	318,703	272,897
Investments in associates	2,504	—
Unallocated:		
Deferred income tax	2,678	536
Available-for-sale financial assets	2,048	—
Financial assets at fair value through profit or loss	302	—
Total	326,235	273,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(Continued)*

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

The segment results for the year ended 31 December 2011 are as follows:

As restated	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	5,066	20,717	6,049	(4,596)	222,113
Inter-segment revenue	(3,437)	(577)	(219)	—	(363)	4,596	—
Revenue	177,209	13,654	4,847	20,717	5,686	—	222,113
Segment results	8,002	5	727	2,091	120	20	10,965
Unallocated costs							(237)
Operating profit							10,728
Finance income	1,244	51	16	340	555	(583)	1,623
Interest income	1,115	40	16	340	555	(583)	1,483
Other finance income	129	11	—	—	—	—	140
Finance costs	(3,027)	(270)	(275)	(143)	(395)	583	(3,527)
Interest expense	(3,039)	(260)	(198)	(142)	(393)	583	(3,449)
Other finance costs	12	(10)	(77)	(1)	(2)	—	(78)
Share of profits/(losses) of associates	62	(2)	—	(4)	—	—	56
Profit before income tax and discontinued operations							8,880
Income tax expense	(1,593)	(65)	(151)	(1,122)	(52)	—	(2,983)
Profit for the year from continuing operations							5,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(Continued)*

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

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

As restated	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 31)*	1,100	558	325	44	21	2,048
Amortisation	189	30	11	1	23	254
Provision for impairment of property, plant and equipment *(Note 31)*	6	13	—	—	—	19
Provision for impairment of inventories *(Note 31)*	13	13	14	—	17	57
Foreseeable losses on construction contracts *(Note 31)*	120	—	—	—	—	120
Provision for impairment of trade and other receivables *(Note 31)*	869	57	12	36	11	985
Provision for impairment of land use rights *(Note 31)*	40	—	—	—	—	40
Provision for impairment of goodwill *(Note 31)*	—	—	—	42	—	42

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(Continued)*

(b) 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
Investments in associates	1,368	—	2	610	—	—	1,980
Unallocated assets							4,473
Total assets							332,031
Liabilities							
Segment liabilities	186,076	15,487	30,090	80,797	18,162	(57,280)	273,332
Unallocated liabilities							524
Total liabilities							273,856
Additions to non-current assets arise from:							
Continuing operations	4,547	2,386	3,465	160	16	—	10,574
Discontinued operations	—	—	371	—	—	—	371
	4,547	2,386	3,836	160	16	—	10,945

5. SEGMENT INFORMATION *(Continued)*

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

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

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

	Year ended 31 December	
	2012 *RMB 'million*	2011 *RMB 'million* As restated
Construction contracts	**172,451**	177,209
Sales of goods	**38,530**	39,218
Others *(i)*	**5,261**	5,686
	216,242	222,113

(i) Others mainly represented import and export trading business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(Continued)*

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

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
		As restated
The PRC	**206,906**	208,169
Other countries	**9,336**	13,944
	216,242	222,113

(e) As at 31 December 2012, the total of non-current assets, other than available-for-sale financial assets, deferred income tax assets and non-current portion of trade and other receivables located in the PRC, amounted to RMB44,984 million (2011: RMB50,459 million), and the total of these non-current assets located in other countries amounted to RMB14,470 million (2011: RMB15,578 million).

(f) Total assets

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

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
The PRC	**285,920**	290,787
Other countries	**35,287**	36,771
	321,207	327,558
Unallocated assets	**5,028**	4,473
	326,235	332,031

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(Continued)*

(g) Additions to non-current assets

Additions to non-current assets are allocated based on the location of the assets as follows:

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
The PRC	**6,593**	8,861
Other countries	**1,645**	2,084
	8,238	10,945
Additions to non-current assets arise from:		
Continuing operations	**7,816**	10,574
Discontinued operations	**422**	371
	8,238	10,945

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 2011	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	—	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 40)*	—	(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
Additions	45	317	664	311	136	4,690	6,163
Transfer from investment properties *(Note 9)*	—	14	—	—	—	—	14
Transfer upon completion	1	5,302	6,779	169	2,383	(14,634)	—
Disposals/write-off	(3)	(572)	(1,150)	(186)	(42)	—	(1,953)
Disposal of subsidiaries/ discontinued operations *(Note 40, 41)*	—	(3,015)	(2,567)	(162)	(70)	(1,313)	(7,127)
Exchange differences	—	(18)	(63)	(7)	(13)	(8)	(109)
Transfer to investment properties *(Note 9)*	—	(158)	—	—	—	—	(158)
At 31 December 2012	117	18,215	21,632	2,457	3,369	5,046	50,836

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*
Accumulated depreciation							
At 1 January 2011	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 40)*	—	(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
Depreciation	10	761	1,465	296	148	—	2,680
Transfer from investment properties *(Note 9)*	—	10	—	—	—	—	10
Disposals/write-off	—	(275)	(826)	(103)	(32)	—	(1,236)
Disposal of subsidiaries/ discontinued operations *(Note 40, 41)*	—	(781)	(1,433)	(123)	(30)	—	(2,367)
Exchange differences	—	(1)	(9)	(4)	(1)	—	(15)
Transfer to investment properties *(Note 9)*	—	(24)	—	—	—	—	(24)
At 31 December 2012	19	2,912	5,782	1,179	549	—	10,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2011	—	1	18	—	—	6	25
Additions	—	—	67	2	1	—	70
Disposal of subsidiaries *(Note 40)*	—	—	(15)	—	—	—	(15)
At 31 December 2011	—	1	70	2	1	6	80
Additions	—	875	927	19	17	368	2,206
Disposal of subsidiaries/ discontinued operations *(Note 40, 41)*	—	(641)	(545)	(13)	(8)	(17)	(1,224)
At 31 December 2012	—	235	452	8	10	357	1,062
Net book value							
At 31 December 2012	98	15,068	15,398	1,270	2,810	4,689	39,333
At 31 December 2011	65	13,122	11,314	1,217	510	16,305	42,533

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

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
		As restated
Cost of sales	**1,430**	1,510
Administrative expenses	**782**	486
Selling and marketing expenses	**11**	11
	2,223	2,007

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Group *(Continued)*

(b) As at 31 December 2012, bank borrowings are secured by certain property, plant and equipment of the Group with an aggregate carrying amount of approximately RMB784 million (2011: RMB1,215 million) (Note 24).

(c) For the year ended 31 December 2012, the Group made an impairment provision on property, plant and equipment amounting to RMB2,206 million (2011: RMB70 million).

As explained in Note 41, there was an impairment indicator for property, plant and equipment owned by Huludao Nonferrous Group as a result of further deterioration of operating performance and capital conditions during 2012, and the Group engaged China Assets Appraisal Co., Ltd. ("China Assets"), an independent valuer, to perform an impairment assessment on the related assets as at 31 December 2012. China Assets used the discounted future cash flow method appraise the fair value of the property, plant and equipment of Huludao Nonferrous Group. The future cash flows are estimated based on several key assumptions, including the expected revenue trend and gross margin, useful life of the assets and pre-tax discount rates from 9.88% to 13.14%. The forecasted revenue trend is determined with reference to the expected growth rate for the industry, and the forecasted gross profit margin is determined by past business performance and market participants' expectations for the market development. Based on this impairment assessment, the Group concluded that the fair value of such property, plant and equipment was lower than its carrying amount. Accordingly, the Group recorded an impairment provision of RMB1,140 million on such property, plant and equipment for the year ended 31 December 2012 (2011: RMB51 million). In addition, the Company has also transferred all of its 51.06% equity interests in Huludao Nonferrous to the Parent on 31 December 2012. Refer to Note 41 for details.

As the market price of poly-silicon remained low and gross profit margin was negative, there was an impairment indicator for certain property, plant and equipment owned by China Silicon Corporation Ltd. ("China Silicon"), a subsidiary of the Company. During the year ended 31 December 2012, one of the production lines of China Silicon has ceased its operations. The Group engaged Luoyang Mingjian Assets Appraisal Co., Ltd., an independent valuer, to appraise the fair value of these assets, taking into consideration the market price and value of recyclable metals upon termination of business. The recoverable amount is estimated using fair value less costs to sell. Based on this impairment assessment, the Group concluded that the fair value of these assets was lower than their carrying amounts, and made an impairment provision on property, plant and equipment amounting to RMB436 million for the year ended 31 December 2012 (2011: Nil).

For the year ended 31 December 2012, the Group has updated the operation plans of Duddar Lead-Zinc Project and identified an impairment indicator of the related construction-in-progress based on the revised financial forecast. Accordingly, the Group performed an impairment assessment on the related assets based on their estimated recoverable amount. The recoverable amount is estimated using the present value of future cash flows based on the financial forecast approved by management and a pre-tax discount rate of 12.55%. The future cash flows are forecasted with reference to the estimated production capacity, annual planned production volume, expected revenue growth and gross margin and estimated years of operation. The forecasted revenue and gross margin are determined by past business performance and management's expectation for market development. Based on the result of this impairment assessment, the Group made an impairment provision on construction-in-progress of Duddar Lead-Zinc Project amounting to RMB352 million for the year ended 31 December 2012 (2011: Nil).

7. LAND USE RIGHTS

Group

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Cost		
At beginning of the year	**8,962**	8,611
Additions	**196**	505
Transfer from investment properties *(Note 9)*	**—**	39
Attributable to acquisition of subsidiaries	**—**	41
Disposals	**(173)**	(234)
Transfer to investment properties *(Note 9)*	**(47)**	—
Disposal of subsidiaries/discontinued operations *(Note 40, 41)*	**(1,954)**	—
At end of the year	**6,984**	8,962
Accumulated amortisation		
At beginning of the year	**737**	557
Amortisation	**187**	183
Transfer from investment properties *(Note 9)*	**—**	9
Disposals	**(14)**	(12)
Transfer to investment properties *(Note 9)*	**(6)**	—
Disposal of subsidiaries/discontinued operations *(Note 40, 41)*	**(243)**	—
At end of the year	**661**	737
Impairment provision		
At beginning of the year	**30**	—
Additions	**288**	40
Disposals	**(30)**	(10)
Discontinued operations *(Note 41)*	**(288)**	—
At end of the year	**—**	30
Net book value	**6,323**	8,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. LAND USE RIGHTS *(Continued)*

Group *(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	
	2012	2011
	RMB 'million	*RMB 'million*
Land use rights lease period between 10 to 50 years	**5,876**	7,639
Land use rights lease period over 50 years	**447**	556
	6,323	8,195

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

(b) As at 31 December 2012, bank borrowings are secured by certain land use rights of the Group with an aggregate carrying amount of approximately RMB388 million (2011: RMB1,400 million) (Note 24).

(c) The Group made an impairment provision on the land use rights of Huludao Nonferrous Group amounting to RMB288 million for the year ended 31 December 2012 (2011: Nil). On 31 December 2012, the Company transferred all of its 51.06% equity interests in Huludao Nonferrous to the Parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. MINING RIGHTS

Group

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Cost		
At beginning of the year	**5,155**	4,907
Additions	**340**	519
Disposals	**(14)**	(8)
Disposal of subsidiaries/discontinued operations *(Note 40, 41)*	**(686)**	(50)
Exchange differences	**45**	(213)
At end of the year	**4,840**	5,155
Accumulated amortisation		
At beginning of the year	**130**	50
Amortisation	**35**	81
Disposals	**(6)**	(1)
Disposal of subsidiaries/discontinued operations *(Note 40, 41)*	**(126)**	—
At end of the year	**33**	130
Impairment provision		
At beginning of the year	**—**	—
Additions	**2,645**	—
Exchange differences	**54**	—
Discontinued operations *(Note 41)*	**(349)**	—
At end of the year	**2,350**	—
Net book value	**2,457**	5,025

(a) During the year ended 31 December 2012, the Group has completed its feasibility study on the development of the Cape Lambert Iron Project owned by MCC Australia Holding Pty Ltd ("MCCAH", a wholly-owned subsidiary of the Company). Based on the feasibility study, the Group concluded that the Cape Lambert Iron Project assets ("Cape Lambert Assets") may have been impaired. Accordingly, the Group performed an impairment assessment based on its estimated recoverable amount. The estimated recoverable amount is determined based on fair value less costs to sell. The fair value of the Cape Lambert Assets is determined by a valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer. The valuation is based on the Adjusted Prior Sales Multiples Method, a market approach technique. Based on the impairment assessment, the Group has made an impairment provision on the mining rights amounting to RMB2,296 million for the year ended 31 December 2012 (2011: Nil).

(b) As explained in Note 41, the Group made an impairment provision on the mining rights of Huludao Nonferrous Group amounting to RMB349 million for the year ended 31 December 2012 (2011: Nil). On 31 December 2012, the Company also transferred all of its 51.06% equity interests in Huludao Nonferrous to the Parent. Refer to Note 41 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INVESTMENT PROPERTIES

Group

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Cost		
At beginning of the year	**1,234**	1,048
Additions	**463**	105
Transfer from property, plant and equipment *(Note 6)*	**158**	197
Transfer from land use rights *(Note 7)*	**47**	—
Disposals	**(1)**	(38)
Transfer to property, plant and equipment *(Note 6)*	**(14)**	(39)
Transfer to land use rights *(Note 7)*	**—**	(39)
At end of the year	**1,887**	1,234
Accumulated depreciation		
At beginning of the year	**256**	236
Depreciation	**37**	41
Transfer from property, plant and equipment *(Note 6)*	**24**	27
Transfer from land use rights *(Note 7)*	**6**	—
Disposals	**—**	(11)
Transfer to property, plant and equipment *(Note 6)*	**(10)**	(28)
Transfer to land use rights *(Note 7)*	**—**	(9)
At end of the year	**313**	256
Net book value	**1,574**	978
Fair value *(a)*	**3,769**	2,636

(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 RMB170 million (2011: RMB150 million) was recognised as "other income" and depreciation of the Group's investment properties of RMB37 million (2011: RMB41 million) was recognised as "other expenses" in the consolidated income statement for the year ended 31 December 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INTANGIBLE ASSETS

Group

	Goodwill *RMB 'million*	Patent and proprietary technologies *RMB 'million*	Computer software *RMB 'million*	Concession assets *RMB 'million*	Total *RMB 'million*
Cost					
At 1 January 2011	789	44	204	5,893	6,930
Additions	33	1	70	600	704
Attributable to acquisition of subsidiaries	—	—	1	—	1
Disposals	—	—	—	(11)	(11)
Exchange differences	(24)	—	—	—	(24)
At 31 December 2011	798	45	275	6,482	7,600
Additions	—	1	51	287	339
Disposals	—	—	(1)	(12)	(13)
Disposal of subsidiaries/ discontinued operations *(Note 40, 41)*	(96)	(1)	(3)	—	(100)
Exchange differences	(24)	—	—	—	(24)
At 31 December 2012	678	45	322	6,757	7,802
Accumulated amortisation					
At 1 January 2011	—	25	91	99	215
Amortisation	—	2	37	70	109
At 31 December 2011	—	27	128	169	324
Amortisation	—	2	42	96	140
Disposals	—	—	(1)	—	(1)
Disposal of subsidiaries/ discontinued operations *(Note 40, 41)*	—	(1)	(3)	—	(4)
At 31 December 2012	—	28	166	265	459
Impairment provision					
At 1 January 2011	242	—	—	—	242
Additions	42	—	—	—	42
At 31 December 2011	284	—	—	—	284
Additions	114	—	—	—	114
Discontinued operations *(Note 41)*	(96)	—	—	—	(96)
At 31 December 2012	302	—	—	—	302
Net book value					
At 31 December 2012	376	17	156	6,492	7,041
At 31 December 2011	514	18	147	6,313	6,992

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INTANGIBLE ASSETS *(Continued)*

Group *(Continued)*

(a) Amortisation of the Group's intangible assets for the year ended 31 December 2012 amounting to RMB140 million (2011: RMB109 million) was charged to the consolidated income statement as "administrative expenses".

(b) For the purposes of impairment testing, goodwill has been allocated to 18 (2011: 18) individual cash generating units ("CGU") which comprise 18 (2011: 18) subsidiaries arising from business combinations other than common control combinations. The carrying amounts of goodwill as at 31 December 2012 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	
	2012	2011
	RMB 'million	*RMB 'million*
MCC Minera Sierra Grande S.A. *(i)*	**164**	188
MCC Finance Corporation Ltd. *(i)*	**105**	105

Other goodwill of other CGUs is less than RMB100 million.

(i) The recoverable amount is determined based on value-in-use calculations with 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 22.31% (MCC Minera Sierra Grande S.A.) and 17.33% (MCC Finance Corporation Ltd.). Cash flow projections during the forecast period for the CGU are based on the expected growth rates and gross margins 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 2012, 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 amounts of the CGUs to exceed their recoverable amounts.

(c) As explained in Note 41, as part of the impairment assessment of Huludao Nonferrous Group, the Group has concluded that long-term assets of Tibet Huayi Trade Industry Co., Ltd., a subsidiary of Huludao Nonferrous, were significantly impaired, and the Group made an impairment provision on the goodwill amounting to RMB96 million for the year ended 31 December 2012 (2011: Nil). On 31 December 2012, the Company transferred all of its 51.06% equity interests in Huludao Nonferrous to the Parent, see Note 41 for details.

11. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Unlisted investments:		
Investments in subsidiaries at cost	**55,380**	57,041
Impairment provision *(i)*	**(175)**	(2,250)
Investments in subsidiaries, net	**55,205**	54,791

(i) As at 31 December 2012, since the Cape Lambert Assets owned by MCCAH has been impaired (see Note 8(a)), the carrying amount of the investment in MCCAH in the Company's separate financial statements also exceeded the carrying amount of MCCAH's net assets in the consolidated financial statements, so there was an impairment indicator on the investment held by the Company. Based on the recoverable amount, the Company has made an impairment provision on the investment in MCCAH amounting to RMB48 million for the year ended 31 December 2012 (2011: Nil).

For the year ended 31 December 2012, MCC Mining (Western Australia) Pty Ltd. ("MCC WA", a wholly-owned subsidiary of the Company) has recognised a significant loss in the Western Australia SINO Iron Ore Project (See Note 17). Accordingly, the carrying amount of the investment in MCC WA in the Company's separate financial statements exceeded the carrying amount of MCC WA's net assets in the consolidated financial statements, and there was an impairment indicator on the investment held by the Company. Based on the recoverable amount, the Company has made an impairment provision on the investment in MCC WA amounting to RMB127 million for the year ended 31 December 2012 (2011: Nil).

For the year ended 31 December 2012, the Group has made an impairment provision on the property, plant and equipment of Huludao Nonferrous Group (See Note 6(c)). As a result, the carrying amount of the investment in Huludao Nonferrous in the Company's separate financial statements exceeded the carrying amount of Huludao Nonferrous's net assets in the consolidated financial statements, and there was an impairment indicator on the investment held by the Company. Based on the recoverable amount, the Company has made an impairment provision on the investment in Huludao Nonferrous amounting to RMB593 million for the year ended 31 December 2012 (2011: RMB2,250 million).

(ii) Particulars of the Company's principal subsidiaries are set out in Note 46.

12. INVESTMENTS IN ASSOCIATES

Group

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

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
At beginning of the year	**1,980**	1,815
Additions	**669**	190
Share of profit	**5**	56
Dividend distribution	**(19)**	(72)
Disposals	**(125)**	(9)
Impairment provision	**(6)**	—
At end of the year	**2,504**	1,980

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

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Total assets	**9,395**	6,658
Total liabilities	**(6,874)**	(4,640)
Non-controlling interests	**(17)**	(38)
	2,504	1,980

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Revenue	**1,202**	1,528
Profit for the year	**5**	56

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 46.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2012					
Assets as per consolidated balance sheet					
Available-for-sale financial assets *(Note 14)*	—	—	—	2,048	2,048
Trade receivables *(Note 15)*	90,078	—	—	—	90,078
Deposits and other receivables *(Note 15)*	20,469	—	—	—	20,469
Financial assets at fair value through profit or loss *(Note 16)*	—	302	—	—	302
Restricted cash *(Note 19)*	2,124	—	—	—	2,124
Cash and cash equivalents (Note 20)	32,084	—	—	—	32,084
Total	144,755	302	—	2,048	147,105

	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 15)*	80,542	—	—	—	80,542
Deposits and other receivables *(Note 15)*	10,840	—	—	—	10,840
Financial assets at fair value through profit or loss *(Note 16)*	—	352	—	—	352
Restricted cash *(Note 19)*	2,560	—	—	—	2,560
Cash and cash equivalents *(Note 20)*	42,721	—	—	—	42,721
Total	136,663	352	—	1,529	138,544

13. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group *(Continued)*

Other financial liabilities	**As at 31 December 2012 RMB 'million**	As at 31 December 2011 RMB 'million
Liabilities as per consolidated balance sheet		
Borrowings *(Note 24)*	**131,502**	137,161
Trade payables *(Note 23)*	**68,727**	61,309
Accrued expenses, deposits payable, long-term payables due to third parties and other payables *(Note 23)*	**15,912**	13,670
Total	**216,141**	212,140

Company

Loans and receivables	**As at 31 December 2012 RMB 'million**	As at 31 December 2011 RMB 'million
Assets as per balance sheet		
Trade receivables *(Note 15)*	**1,091**	2,126
Amounts due from related parties and other receivables *(Note 15)*	**52,660**	47,807
Cash and cash equivalents *(Note 20)*	**9,211**	14,153
Total	**62,962**	64,086

Other financial liabilities	**As at 31 December 2012 RMB 'million**	As at 31 December 2011 RMB 'million
Liabilities as per balance sheet		
Borrowings *(Note 24)*	**56,797**	56,592
Trade payables *(Note 23)*	**472**	770
Interest payable, amounts due to related parties and other payables *(Note 23)*	**9,216**	10,972
Total	**66,485**	68,334

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	
	2012	2011
	RMB 'million	*RMB 'million*
At beginning of the year	**1,529**	1,548
Additions	**729**	622
Disposals	**(99)**	(645)
Disposal of subsidiaries/discontinued operations *(Note 40, 41)*	**(55)**	—
Net fair value (losses)/gains transferred to equity	**(22)**	17
Provision for impairment	**(34)**	(13)
At end of the year	**2,048**	1,529
Less: non-current portion	**(1,348)**	(1,479)
Current portion	**700**	50

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

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Listed securities		
— Equity securities - China	**338**	368
Unlisted securities		
— Equity securities - China	**1,710**	1,161
	2,048	1,529
Market value of listed securities	**338**	368

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

15. TRADE AND OTHER RECEIVABLES

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Trade receivables		
Trade receivables	**75,747**	67,219
Retentions	**3,019**	2,093
Notes receivables	**11,312**	11,230
	90,078	80,542
Less: Provision for impairment	**(5,164)**	(4,374)
Trade receivables - net	**84,914**	76,168
Other receivables		
Prepayments to suppliers	**16,690**	19,875
Deposits	**9,769**	8,319
Amounts due from related parties and third parties	**9,664**	1,518
Staff advances	**519**	596
Prepayment for investments	**—**	1,867
Investments to be refunded	**1,037**	—
Others	**2,778**	2,868
	40,457	35,043
Less: Provision for impairment	**(8,166)**	(1,092)
Other receivables - net	**32,291**	33,951
Total trade and other receivables	**117,205**	110,119
Less: Non-current portion		
— Trade and other receivables	**(23,414)**	(21,961)
— Retentions	**(78)**	(278)
	(23,492)	(22,239)
Current portion	**93,713**	87,880

Please refer to Note 45 for the Group's trade and other receivables due from related parties.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. TRADE AND OTHER RECEIVABLES *(Continued)*

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Trade receivables		
Trade receivables	**1,091**	1,470
Notes receivables	**—**	656
	1,091	2,126
Less: Provision for impairment	**(81)**	(50)
Trade receivables - net	**1,010**	2,076
Other receivables		
Prepayments to suppliers	**255**	254
Amounts due from subsidiaries	**44,838**	47,706
Amounts due from related parties	**7,747**	—
Prepayment for investments	**—**	1,867
Investments to be refunded	**1,037**	—
Others	**75**	101
	53,952	49,928
Less: Provision for impairment*(i)*	**(13,057)**	(52)
Other receivables - net	**40,895**	49,876
Total trade and other receivables	**41,905**	51,952
Less: Non-current portion		
— Trade and other receivables	**(5,385)**	(11,809)
Current portion	**36,520**	40,143

15. TRADE AND OTHER RECEIVABLES *(Continued)*

Company *(Continued)*

(i) As explained in Note 41, the Group had made a significant impairment provision on the assets of Huludao Nonferrous Group for the year ended 31 December 2012. Accordingly, the Company also made an impairment provision on other receivables from Huludao Nonferrous Group amounting to RMB6,887 million. On 31 December 2012, the Company transferred all of its 51.06% equity interests in Huludao Nonferrous to the Parent.

As explained in Note 8, MCCAH had made a significant impairment provision on its Cape Lambert Assets for the year ended 31 December 2012. Accordingly, there was a risk of recoverability of the Company's other receivables from MCCAH. Based on the recoverable amount, the Company made an impairment provision on other receivables amounting to RMB2,401 million in the Company's financial statements for the year ended 31 December 2012.

As explained in Note 17, MCC WA had recongised a significant contract loss in its Western Australia Sino Iron Ore Project for the year ended 31 December 2012. Accordingly, there was a risk of recoverability for the Company's trade and other receivables due from MCC WA. Based on the recoverable amount, the Company made an impairment provision on trade and other receivables amounting to RMB3,717 million in the Company's financial statements for the year ended 31 December 2012.

Please refer to Note 45 for the details of trade and other receivables due from related parties.

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

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

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Less than 1 year	**63,032**	59,659
1 year to 2 years	**18,142**	15,102
2 years to 3 years	**5,386**	3,108
3 years to 4 years	**1,706**	1,213
4 years to 5 years	**807**	721
Over 5 years	**1,005**	739
Trade receivables - gross	**90,078**	80,542
Less: Provision for impairment	**(5,164)**	(4,374)
Trade receivables - net	**84,914**	76,168

15. TRADE AND OTHER RECEIVABLES *(Continued)*

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

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Less than 1 year	**455**	1,432
1 year to 2 years	**94**	482
2 years to 3 years	**330**	139
3 years to 4 years	**139**	73
4 years to 5 years	**73**	—
Over 5 years	**—**	—
Trade receivables - gross	**1,091**	2,126
Less: Provision for impairment	**(81)**	(50)
Trade receivables - net	**1,010**	2,076

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 15 (c), (d) and (e) below.

(c) As at 31 December 2012, the Group's trade and other receivables of RMB 65,184 million (2011: RMB56,920 million) were fully performing. As at 31 December 2012, the Company's trade and other receivables of RMB39,867 million (2011: RMB48,828 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.

15. TRADE AND OTHER RECEIVABLES *(Continued)*

(d) As at 31 December 2012, the Group's trade and other receivables of approximately RMB32,738 million (2011: RMB30,796 million) were overdue but not impaired. As at 31 December 2011, the Company's trade and other receivables of approximately RMB709 million (2011: RMB936 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	
	2012	2011
	RMB 'million	*RMB 'million*
Less than 1 year	**24,264**	23,454
1 year to 2 years	**6,879**	6,007
2 years to 3 years	**868**	749
3 years to 4 years	**727**	586
Over 4 years	**—**	—
Total	**32,738**	30,796

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Less than 1 year	**709**	936

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. TRADE AND OTHER RECEIVABLES *(Continued)*

(e) As at 31 December 2012, the Group's trade and other receivables of approximately RMB14,367 million (2011: RMB5,531 million) were wholly or partially impaired. The amount of the related provisions for impairment of these receivables was approximately RMB13,330 million (2011: RMB5,466 million). As at 31 December 2012, the Company's trade and other receivables of approximately RMB13,175 million (2011: RMB169 million) were wholly or partially impaired. The amount of the related provisions for impairment of these receivables was approximately RMB13,138 million (2011: RMB102 million). The ageing analysis of these impaired trade and other receivables are as follows:

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Less than 1 year	**5,654**	2,061
1 year to 2 years	**1,840**	806
2 years to 3 years	**4,280**	594
3 years to 4 years	**584**	586
4 years to 5 years	**583**	407
Over 5 years	**1,426**	1,077
Total	**14,367**	5,531

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Less than 1 year	**3,984**	—
1 year to 2 years	**4,930**	—
2 years to 3 years	**4,092**	44
3 years to 4 years	**44**	73
Over 4 years	**125**	52
Total	**13,175**	169

15. 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	
	2012	2011
	RMB 'million	*RMB 'million*
At beginning of the year	**5,466**	4,494
Additions	**9,083**	1,044
Write-off	**(33)**	(55)
Disposal of subsidiaries	**(1,122)**	—
Others	**(64)**	(17)
At end of the year	**13,330**	5,466

Company

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
At beginning of the year	**102**	85
Additions	**13,036**	23
Reversal upon collection	**—**	(6)
At end of the year	**13,138**	102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. 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:

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
RMB	**114,677**	106,784
USD	**1,336**	1,863
Others	**1,192**	1,472
	117,205	110,119

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
RMB	**40,713**	46,325
USD	**1,144**	5,198
Others	**48**	429
	41,905	51,952

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	Investments in listed equity securities in China *RMB 'million*
At 1 January 2011	—
Additions	1,251
Disposals	(900)
Increase in fair value through profit or loss	1
At 31 December 2011	352
Additions	6,227
Disposals	(6,277)
At 31 December 2012	302

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains - net" in the consolidated income statements (Note 30).

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

17. CONTRACT WORK-IN-PROGRESS

Group

	As at 31 December	
	2012 *RMB 'million*	2011 *RMB 'million*
Contract cost incurred plus recognised profit less recognised losses	**647,579**	533,966
Less: Progress billings	**(622,106)**	(512,687)
Contract work-in-progress	**25,473**	21,279
Representing:		
Amounts due from customers for contract work	**36,502**	33,104
Amounts due to customers for contract work	**(11,029)**	(11,825)
	25,473	21,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Group *(Continued)*

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Contract revenue recognised as revenue	**172,451**	177,209

During the year ended 31 December 2012, due to certain unexpected events including the severe weather conditions in Australia, there were further delays in the progress of the Western Australia Sino Iron Project undertaken by MCC WA. The Group updated its total cost estimate of the project by due consideration of the increase in project costs associated with these delays. In addition, the Company had negotiated with the CITIC Group, the parent company of the customer CITIC Pacific Limited, on the arrangement to settle the contract value in light of the delays and overruns of project costs, as well as the related funding arrangements. Based on the latest negotiation, CITIC Group has agreed that the total construction costs up to completion of the loaded linkage commissioning (帶負荷聯動試車) of the second main process production line (estimated to be completed by 15 April 2013) to be controlled at USD4,357 million, and that the total costs incurred for the project will be confirmed as the final contract value after being verified by a construction audit done by a third party, and then the final contract value will be settled lawfully in a way to be further agreed by both parties in the future.

As of 31 December 2012, the total contract costs incurred for the project amounted to USD4,381 million. According to the revised total contract cost estimate, the Group estimated the additional costs to be incurred to complete the above project to be approximately USD457 million. Based on the above contract value of USD4,357 million as consented with the CITIC Group and the total cost estimate, the Group recognised contract revenue of RMB2,651 million, cost of sales of RMB5,399 million with negative gross margin of RMB2,748 million and a provision for unforeseeable contract loss of RMB287 million under this project for the year ended 31 December 2012.

Since the project has not been completed and the final contract value shall be confirmed after being audited by a third party, the result of the project is still uncertain. The Company will continue to closely monitor the project construction progress and any changes in estimated total contract costs. In addition, the Company will proactively communicate and negotiate with the CITIC Group on the final audit results by the third party as the basis for agreeing on the final contract value. In the event that there are further increases in final contract value upon the final negotiation with the CITIC Group or if there are any changes in estimated total contract costs, the Company will re-assess the related accounting impact and adjust the amount of contract losses of project in a timely manner.

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

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Contract cost incurred plus recognised profit less recognised losses	**9,912**	8,352
Less: Progress billings	**(10,085)**	(9,040)
Contract work-in-progress	**(173)**	(688)
Representing:		
Amounts due from customers for contract work	**517**	174
Amounts due to customers for contract work	**(690)**	(862)
	(173)	(688)

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Contract revenue recognised as revenue	**1,662**	2,730

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

(a) Inventories

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Raw materials	**4,570**	6,566
Work-in-progress	**1,855**	3,391
Finished goods	**3,042**	3,939
	9,467	13,896

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

(a) Inventories *(Continued)*

Group *(Continued)*

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

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
At beginning of the year	**431**	239
Additions	**1,050**	314
Write-off	**(724)**	(122)
At end of the year	**757**	431

(b) Properties under development

Group

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
At beginning of the year	**54,844**	41,669
Additions	**19,521**	27,211
Attributable to acquisition of subsidiaries	**—**	58
Transfer to completed properties held for sale	**(16,037)**	(12,632)
Disposal of subsidiaries *(Note 40)*	**(1,651)**	(1,462)
At end of the year	**56,677**	54,844

The analysis as at 31 December 2012 of the properties under development is as follows:

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Land use rights	**34,731**	33,263
Development costs	**18,275**	19,443
Finance costs capitalised	**3,671**	2,138
	56,677	54,844

18. 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	
	2012	2011
	RMB 'million	*RMB 'million*
At beginning of the year	**33,263**	24,125
Attributable to acquisition of subsidiaries	**—**	21
Additions	**5,442**	11,117
Transfer to completed properties held for sale	**(3,477)**	(1,850)
Disposal of subsidiaries	**(497)**	(150)
At end of the year	**34,731**	33,263

As at 31 December 2012, bank borrowings are secured by certain properties under development of the Group with an aggregate carrying amount of approximately RMB7,691 million (2011: RMB6,737 million) (Note 24).

(c) Completed properties held for sale

The analysis as at 31 December 2012 of the completed properties held for sale is as follows:

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Land use rights	**1,505**	926
Development costs	**5,593**	2,955
Finance costs capitalised	**596**	396
	7,694	4,277

18. 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	
	2012	2011
	RMB 'million	*RMB 'million*
At beginning of the year	**926**	554
Transfer from properties under development	**3,477**	1,850
Transfer to cost of sales	**(2,898)**	(1,478)
At end of the year	**1,505**	926

The cost of inventories, properties under development and completed properties held for sale recognised as expenses and included in "cost of sales" amounted to RMB32,073 million for the year ended 31 December 2012 (2011: RMB44,601 million).

19. RESTRICTED CASH

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Restricted cash	**2,124**	2,560

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 2012, the weighted average effective interest rate per annum on restricted cash, with maturities ranging from 6 months to 1 year, was approximately 2.64% (2011: 2.31%).

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

20. CASH AND CASH EQUIVALENTS

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Cash at bank and in hand	**29,071**	39,378
Bank deposits with original maturities of three months or less	**3,006**	3,343
Other deposits for investment	**7**	—
	32,084	42,721
Denominated in:		
RMB	**29,721**	40,112
USD	**1,592**	1,932
EUR	**28**	66
AUD	**133**	120
Others	**610**	491
	32,084	42,721

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 2012, the weighted average effective interest rate per annum on bank deposits was approximately 2.54% (2011: 2.18%).

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Cash at bank and in hand	**9,211**	14,153
Denominated in:		
RMB	**9,135**	14,095
USD	**3**	40
Others	**73**	18
	9,211	14,153

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

21. SHARE CAPITAL

	As at 31 December			
	2012		2011	
	Number of shares ***million***	**Nominal Value** ***RMB' million***	Number of shares *million*	Nominal Value *RMB' million*
Registered, issued and fully paid				
— State-owned Shares of RMB 1.00 each*(a)*	**12,651**	**12,651**	12,736	12,736
— A Shares of RMB 1.00 each*(b)*	**3,588**	**3,588**	3,503	3,503
— H Shares of RMB 1.00 each*(c)*	**2,871**	**2,871**	2,871	2,871
	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			
	2012		2011	
	Number of shares ***million***	**Nominal Value** ***RMB' million***	Number of shares *million*	Nominal Value *RMB' million*
At beginning and end of the year	**19,110**	**19,110**	19,110	19,110

21. SHARE CAPITAL *(Continued)*

(a) The 12,651 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, of which 2 million shares were sold in 2012;

(iii) 350 million shares were transferred to the National Council for Social Security Fund ("NSSF"), of which 3 million shares were sold in 2011, and of which 83 million shares were sold in 2012.

(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 of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. 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 2011		17,948	(83)	219	(117)	289	7,605	25,861
Profit for the year		—	—	—	—	—	4,243	4,243
Other comprehensive loss:								
Fair value losses on available-for-sale financial assets, net of tax		—	—	(125)	—	—	—	(125)
Currency translation differences		—	—	—	(154)	—	—	(154)
Total comprehensive (loss)/ income for the year		—	—	(125)	(154)	—	4,243	3,964
Transactions with owners:								
Dividends	38	—	—	—	—	—	(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
Loss for the year		—	—	—	—	—	(6,952)	(6,952)
Other comprehensive loss:								
Fair value losses on available-for-sale financial assets, net of tax		—	—	(24)	—	—	—	(24)
Currency translation differences		—	—	—	(76)	—	—	(76)
Total comprehensive loss for the year		—	—	(24)	(76)	—	(6,952)	(7,052)
Transactions with owners:								
Transaction with non-controlling interests		—	(2)	—	—	—	—	(2)
Total transactions with owners		—	(2)	—	—	—	—	(2)
At 31 December 2012		17,948	81	70	(347)	289	3,998	22,039

22. RESERVES *(Continued)*

Company

	Note	Capital reserve *RMB 'million*	Translation differences *RMB 'million*	Other reserves *RMB 'million*	Retained earnings/ (accumulated deficit) *RMB 'million*	Total *RMB 'million*
At 1 January 2011		33,494	2	289	915	34,700
Loss for the year		—	—	—	(924)	(924)
Total comprehensive loss for the year		—	—	—	(924)	(924)
Transactions with owners:						
Dividends	38	—	—	—	(898)	(898)
Total transactions with owners		—	—	—	(898)	(898)
At 31 December 2011		33,494	2	289	(907)	32,878
Loss for the year		—	—	—	(12,567)	(12,567)
Total comprehensive loss for the year		—	—	—	(12,567)	(12,567)
At 31 December 2012		33,494	2	289	(13,474)	20,311

The loss attributable to equity holders of the Company for the year ended 31 December 2012 is dealt with in the financial statements of the Company to the extent of deficit of RMB12,567 million (2011: deficit of RMB924 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. TRADE AND OTHER PAYABLES

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Trade payables	**68,727**	61,309
Other payables		
Accrued payroll and related expenses	**2,342**	2,574
Accrued expenses	**669**	768
Purchase deposits from customers	**29,164**	32,719
Deposits payable	**6,549**	4,832
Rental payable	**286**	248
Utilities payable	**254**	364
Repair and maintenance payable	**289**	450
Other taxes payable	**5,944**	4,858
Long-term payables due to third parties	**—**	566
Others	**7,865**	6,442
	53,362	53,821
Total trade and other payables	**122,089**	115,130
Less: Non-current portion		
— Other payables	**(222)**	(357)
Current portion	**121,867**	114,773

Please refer to Note 45 for the Group's trade and other payables to related parties.

The carrying amounts of trade and other payables (excluding purchase deposits from customers, accrued payroll and related expenses and other taxes payable) approximate their fair values.

23. TRADE AND OTHER PAYABLES *(Continued)*

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Trade payables	**472**	770
Other payables		
Purchase deposits from customers	**449**	72
Other taxes payable	**36**	7
Interest payable	**832**	849
Amounts due to subsidiaries	**7,918**	9,989
Amounts due to related parties	**370**	—
Others	**96**	134
	9,701	11,051
Total trade and other payables - current portion	**10,173**	11,821

Please refer to Note 45 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	
	2012	2011
	RMB 'million	*RMB 'million*
Within 1 year	**51,966**	46,958
1 year to 2 years	**9,692**	9,060
2 years to 3 years	**4,146**	2,821
Over 3 years	**2,923**	2,470
	68,727	61,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. TRADE AND OTHER PAYABLES *(Continued)*

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

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Within 1 year	**357**	724
1 year to 2 years	**105**	40
2 years to 3 years	**4**	1
Over 3 years	**6**	5
	472	770

(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	
	2012	2011
	RMB 'million	*RMB 'million*
RMB	**113,671**	110,854
USD	**6,306**	2,643
Others	**2,112**	1,633
	122,089	115,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. 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: *(Continued)*

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
RMB	**8,038**	11,810
USD	**2,060**	4
Others	**75**	7
	10,173	11,821

24. BORROWINGS

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Non-current		
Long-term bank borrowings		
Secured *(a)*	**10,543**	6,200
Unsecured	**18,988**	24,634
	29,531	30,834
Other long-term borrowings		
Secured *(a)*	**75**	75
Unsecured	**6,011**	212
Debentures *(b(i))*	**21,448**	21,364
	27,534	21,651
Total non-current borrowings	**57,065**	52,485

24. BORROWINGS *(Continued)*

Group *(Continued)*

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Current		
Short-term bank borrowings		
Secured *(a)*	**1,615**	2,824
Unsecured	**37,433**	42,171
	39,048	44,995
Other short-term borrowings		
Secured *(a)*	**160**	1,315
Unsecured	**3,305**	5,200
Debentures *(b(ii))*	**21,400**	17,000
	24,865	23,515
Current portion of long-term bank borrowings		
Secured *(a)*	**1,508**	2,274
Unsecured	**9,016**	7,292
	10,524	9,566
Current portion of other long-term borrowings		
Secured *(a)*	**—**	—
Unsecured	**—**	6,600
	—	6,600
Total current borrowings	**74,437**	84,676
Total borrowings	**131,502**	137,161

24. BORROWINGS *(Continued)*

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Non-current		
Long-term bank borrowings		
Unsecured	**2,981**	5,278
Other long-term borrowings		
Debentures *(b(i))*	**18,330**	18,244
	18,330	18,244
Total non-current borrowings	**21,311**	23,522
Current		
Short-term bank borrowings		
Unsecured	**9,000**	14,568
Other short-term borrowings		
Unsecured *(c)*	**2,400**	1,432
Debentures *(b(ii))*	**21,400**	17,000
	23,800	18,432
Current portion of long-term bank borrowings		
Unsecured	**2,686**	70
Total current borrowings	**35,486**	33,070
Total borrowings	**56,797**	56,592

(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 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BORROWINGS *(Continued)*

(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 RMB9,971 million with a par value of RMB10,000 million, a maturity of ten years from issuance and interest rate of 3.95% per annum and with the issuer's redemption rights at the end of 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 at a discounted price of RMB4,686 million with a par value of RMB4,700 million, a maturity of five years from issuance and interest rate of 4.72% per annum.

MCC Holding (Hong Kong) Co., Ltd., a subsidiary of the Company, issued USD debentures on 29 July 2011 at a discount to par value of USD497 million, the aggregate principal amount is USD500 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 10 April 2012 at par value of RMB4,400 million, with a maturity of one year from issuance. The debentures are unsecured, and bear interests at a fixed rate of 4.46% per annum. Principal and interests are paid upon maturity date.

As approved by the National Association of Financial Market Institutional Investors, the Company issued its Tranche II Short-Term Debentures on 27 September 2012 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 4.48% per annum. Principal and interests are paid upon maturity date.

As approved by the National Association of Financial Market Institutional Investors, the Company issued its Tranche III Short-Term Debentures on 22 November 2012 at par value of RMB4,000 million, with a maturity of one year from issuance. The debentures were unsecured and bear interests at a rate of 4.46% per annum. Principal and interests are paid upon maturity date.

The Company issued its Tranche I Extra Short-Term Debentures on 18 July 2012 at par value of RMB 4,000 million, with a maturity of 270 days from issuance. The debentures are unsecured, and bear interests at a fixed rate of 3.38% per annum. Principal and interests are paid upon maturity date.

24. BORROWINGS *(Continued)*

(b) (ii) The Company issued its Tranche II Extra Short-Term Debentures on 16 August 2012 at par value of RMB 3000 million, with a maturity of 270 days from issuance. The debentures are unsecured, and bear interests at a fixed rate of 3.70% per annum. Principal and interests are paid upon maturity date.

The Company issued its Tranche III Extra Short-Term Debentures on 20 September 2012 at par value of RMB 3000 million, with a maturity of 270 days from issuance. The debentures are unsecured, and bear interests at a fixed rate of 4.30% per annum. Principal and interests are paid upon maturity date.

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

Group

Lender	**As at 31 December**	
	2012 *RMB 'million*	2011 *RMB 'million*
Other state-owned enterprises *(Defined in Note 45)*	**9,392**	8,151
Third parties	**159**	5,251
	9,551	13,402

Company

Lender	**As at 31 December**	
	2012 *RMB 'million*	2011 *RMB 'million*
Subsidiaries	**2,400**	1,432

24. BORROWINGS *(Continued)*

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

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
6 months or less	**71,866**	67,606
6 to 12 months	**32,969**	39,730
1 year to 5 years	**12,884**	15,672
Over 5 years	**13,783**	14,153
	131,502	137,161

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
6 months or less	**20,515**	1,440
6 to 12 months	**16,514**	31,560
1 year to 5 years	**6,141**	8,342
Over 5 years	**13,627**	15,250
	56,797	56,592

24. 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			
	2012		2011	
	Bank borrowings	**Other borrowings**	Bank borrowings	Other borrowings
	RMB 'million	***RMB 'million***	*RMB 'million*	*RMB 'million*
Within 1 year	**49,572**	**24,865**	54,561	30,115
1 year to 2 years	**10,345**	**6,076**	10,705	201
2 years to 5 years	**10,247**	**7,824**	13,591	7,889
Wholly repayable within 5 years	**70,164**	**38,765**	78,857	38,205
Over 5 years	**8,939**	**13,634**	6,538	13,561
	79,103	**52,399**	85,395	51,766

Company

	As at 31 December			
	2012		2011	
	Bank borrowings	**Other borrowings**	Bank borrowings	Other borrowings
	RMB 'million	***RMB 'million***	*RMB 'million*	*RMB 'million*
Within 1 year	**11,685**	**23,800**	14,638	18,432
1 year to 2 years	**1,548**	**—**	2,687	—
2 years to 5 years	**390**	**4,704**	1,395	4,700
Wholly repayable within 5 years	**13,623**	**28,504**	18,720	23,132
Over 5 years	**1,044**	**13,626**	1,196	13,544
	14,667	**42,130**	19,916	36,676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. 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 2012 RMB 'million	2011 RMB 'million
RMB	**124,115**	129,852
USD	**5,750**	6,360
Singapore dollar	**1,570**	859
Others	**67**	90
	131,502	137,161

Company

	As at 31 December 2012 RMB 'million	2011 RMB 'million
RMB	**55,951**	55,624
USD	**846**	878
Others	**—**	90
	56,797	56,592

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

Group

	As at 31 December 2012	2011
Bank borrowings		
RMB	**6.25%**	6.44%
USD	**4.64%**	4.73%
Singapore dollar	**2.34%**	2.21%
Other borrowings		
RMB	**10.27%**	9.49%

Company

	As at 31 December 2012	2011
Bank borrowings		
RMB	**5.84%**	6.17%
USD	**3.81%**	3.76%
Other borrowings		
RMB	**4.20%**	6.56%
USD	**—**	2.77%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. BORROWINGS *(Continued)*

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

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Fair value		
Long-term bank borrowings	**29,233**	30,836
Long-term other borrowings (excluding debentures)	**5,848**	260
Debentures	**21,390**	20,841
	56,471	51,937

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	
	2012	2011
	RMB 'million	*RMB 'million*
Fair value		
Long-term bank borrowings	**2,972**	5,170
Debentures	**18,211**	17,725
	21,183	22,895

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.

(i) As at 31 December 2012, the Group has no significant overdue long-term borrowings. Due to tight liquidity for certain subsidiary of the Group, long-term borrowings amounting to RMB150 million are overdue, which are secured by properties under development amounting to RMB457 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. DEFERRED INCOME

Group

	Government grants relating to research and development expenditure *RMB 'million*	Government grants relating to property, plant and equipment *RMB 'million*	Subsidies relating to housing relocation and demolition *RMB 'million*	Others *RMB 'million*	Total *RMB 'million*
At 1 January 2011	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
Additions	109	10	5	42	166
Decrease	(79)	(67)	(8)	(171)	(325)
At 31 December 2012	360	59	284	774	1,477

26. 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 authorities. The PRC group companies are required to contribute from 16% to 22%, depending on the applicable local regulations, of basic salaries 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	
	2012 ***RMB 'million***	2011 *RMB 'million*
Contributions to state-managed retirement plans	**1,400**	1,525

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

Group

	As at 31 December	
	2012 ***RMB 'million***	2011 *RMB 'million*
Amount due to state-managed retirement plans included in trade and other payables	**187**	190

26. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS *(Continued)*

(b) Early retirement and supplemental benefit obligations

The amounts of early retirement and supplemental benefit obligations recognised in the consolidated balance sheet are as follows:

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Present value of defined benefits obligations	**5,279**	5,975
Unrecognised actuarial gain	**41**	62
Liability arising from defined benefit obligations	**5,320**	6,037
Less: current portion	**(605)**	(632)
non-current portion	**4,715**	5,405

The movements of the Group's early retirement and supplemental benefit obligations over the year are as follows:

Group

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
At beginning of the year	**6,037**	6,215
For the year		
Interest costs	**198**	216
Payment	**(686)**	(702)
Actuarial gains	**(34)**	(14)
Past service cost	**245**	322
Discontinued operations *(Note 41)*	**(440)**	—
At end of the year	**5,320**	6,037

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS *(Continued)*

(b) Early retirement and supplemental benefit obligations *(Continued)*

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

(i) Discount rates for the year ended 31 December 2012 was 3.50% (2011: 3.50%);

(ii) Early-retirees' salary and supplemental benefits increase rate for the year ended 31 December 2012 was 4.50% (2011: 4.50%);

(iii) Medical cost trend rate for the year ended 31 December 2012 was 8.00% (2011: 8.00%);

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

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

27. 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 2011	53	2	—	—	—	55
Additions	—	9	36	30	6	81
Deductions	(53)	(4)	—	—	—	(57)
At 31 December 2011	—	7	36	30	6	79
Additions	23	7	—	15	—	45
Deductions	—	(7)	(5)	(45)	(1)	(58)
At 31 December 2012	23	7	31	—	5	66

28. 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	
	2012	2011
	RMB 'million	*RMB 'million*
Deferred income tax assets		
Deferred tax assets to be recovered after more than 12 months	**2,175**	2,096
Deferred tax assets to be recovered within 12 months	**503**	496
	2,678	2,592
Deferred income tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**(427)**	(418)
Deferred tax liabilities to be recovered within 12 months	**(109)**	(106)
	(536)	(524)
Deferred income tax assets-net	**2,142**	2,068

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

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
At beginning of the year	**2,068**	1,616
Attributable to acquisition of subsidiaries	**(22)**	3
Credited to the consolidated income statement *(Note 35)*	**51**	385
Discontinued operations *(Note 41)*	**21**	—
Credited to equity	**4**	43
Exchange differences	**20**	21
At end of the year	**2,142**	2,068

28. DEFERRED INCOME TAX *(Continued)*

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

Group

	Provision for impairment of assets *RMB 'million*	Provision for retirement and other supplemental benefit obligations *RMB 'million*	Deductible tax loss *RMB 'million*	Unrealised profit on inter-company transactions *RMB 'million*	Employee benefits *RMB 'million*	Others *RMB 'million*	Total *RMB 'million*
Deferred income tax assets							
At 1 January 2011	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	3	—	—	—	—	—	3
At 31 December 2011	1,121	634	126	246	246	219	2,592
Credited/(charged) to the consolidated income statement	202	(62)	43	31	(47)	(59)	108
Attributable to acquisition of subsidiaries	(4)	—	(17)	—	—	(1)	(22)
At 31 December 2012	1,319	572	152	277	199	159	2,678

28. DEFERRED INCOME TAX *(Continued)*

(b) The movements in deferred income tax assets and liabilities during the year, without taking into consideration of 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 income tax liabilities				
At 1 January 2011	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
(Credited)/charged to the consolidated income statement	(1)	(121)	158	36
Credited directly to equity	(4)	—	—	(4)
Exchange differences	—	(20)	—	(20)
At 31 December 2012	60	198	278	536

Others deferred income tax liabilities mainly represented temporary differences arising from amounts due from/to customers of certain contracts and interest expense capitalised.

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

Group

	Year ended 31 December 2012 *RMB 'million*	2011 *RMB 'million*
Fair value reserves in equity:		
— Available-for-sale financial assets	**(4)**	(43)

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 2012, the Group did not recognise deferred tax assets of RMB4,312 million (2011: RMB2,372 million) in respect of tax losses amounting to RMB17,249 million (2011: RMB9,488 million), as management believes it is more likely than not that such tax losses would not be realised before they expire.

29. OTHER INCOME

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
		As restated
Dividend income from available-for-sale financial assets *(a)*	**65**	72
Dividend income from financial assets at fair value through profit or loss *(a)*	**—**	1
Income from liabilities forgiven	**33**	62
Rental income	**313**	336
Government grants/subsidies *(b)*	**531**	718
Others	**99**	158
	1,041	1,347

(a) Dividend income from listed investments for the year ended 31 December 2012 was RMB6 million (2011: RMB3 million), and dividend income from unlisted investments was RMB59 million (2011: RMB70 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.

30. OTHER GAINS - NET

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
		As restated
Financial assets at fair value through profit or loss *(Note 16)*: fair value gains	**—**	1
Net foreign exchange losses *(Note 34)*	**(178)**	(384)
Gain on disposal of subsidiaries	**383**	765
Gain on disposal of associates	**23**	—
Gain on disposal of property, plant and equipment	**158**	72
Gain on disposal of financial assets at fair value through profit or loss	**43**	4
Gain on disposal of held-to-maturity financial assets	**—**	22
Gain on disposal of available-for-sale financial assets	**1**	204
Impairment loss for available-for-sale financial assets	**(24)**	(13)
Others	**74**	120
	480	791

31. EXPENSES BY NATURE

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
		As restated
Raw materials, purchased equipment and consumables used	**73,772**	87,197
Changes in inventories of finished goods and work-in-progress	**(4,147)**	(15,079)
Subcontracting charges	**97,367**	98,827
Employee benefits *(Note 32)*	**14,465**	15,054
Fuel and heating expenditure	**947**	1,172
Business tax and other transaction taxes	**6,049**	5,981
Travelling expenses	**1,675**	1,682
Office expenses	**1,954**	1,997
Transportation costs	**599**	832
Operating lease rentals	**4,643**	4,934
Research and development costs	**2,179**	2,239
Repairs and maintenance	**1,165**	1,086
Advertising expenses	**340**	489
Foreseeable losses on construction contracts	**288**	120
Amortisation of land use rights	**147**	141
Amortisation of mining rights	**18**	6
Amortisation of intangible assets *(Note 10)*	**140**	107
Depreciation of property, plant and equipment *(Note 6)*	**2,223**	2,007
Depreciation of investment properties *(Note 9)*	**37**	41
Provision for impairment of trade and other receivables	**1,355**	985
Provision for impairment of inventories	**626**	57
Provision for impairment on properties under development	**55**	8
Provision for impairment of property, plant and equipment	**1,055**	19
Provision for impairment of goodwill	**18**	42
Provision for impairment of land use rights	**—**	40
Provision for impairment of mining rights	**2,296**	—
Insurance expenses	**93**	116
Bank charges relating to operating activities	**176**	354
Professional and technical consulting fees	**711**	701
Auditors' remuneration		
— financial statements audit	**35**	45
— internal control audit	**3**	5
— non-audit services	**4**	4
Others	**2,652**	2,156
Total cost of sales, selling and marketing expenses and administrative expenses	**212,940**	213,365

32. EMPLOYEE BENEFITS

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
		As restated
Salaries, wages and bonuses, including restructuring costs and other termination benefits	**10,206**	10,391
Contributions to pension plans *(a)*	**1,400**	1,525
Early retirement and supplemental pension benefits *(Note 26 and (b))*		
— interest cost	**190**	216
— actuarial gains	**(22)**	(14)
— past service cost	**26**	322
Housing benefits *(c)*	**619**	527
Welfare, medical and other expenses	**2,046**	2,087
	14,465	15,054

(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.

33. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
		As restated
Interest expense		
— Bank borrowings wholly repayable within 5 years	**6,751**	4,734
— Bank borrowings repayable over 5 years	**1,368**	1,230
— Other borrowings	**624**	268
	8,743	6,232
Less: Amounts capitalised in construction-in-progress *(a)*	**(469)**	(384)
Less: Amounts capitalised in properties under development *(b)*	**(3,667)**	(2,399)
	4,607	3,449
Net foreign exchange gains on borrowings *(Note 34)*	**(9)**	(22)
Discount charges on bank acceptance notes	**97**	100
Finance costs	**4,695**	3,527
Interest income on bank deposits	**(419)**	(462)
Unwinding of discount of long-term receivables	**(1,312)**	(1,021)
Others	**(97)**	(140)
Finance income	**(1,828)**	(1,623)
Finance costs, net	**2,867**	1,904

(a) Interest expenses were capitalised as construction-in-progress at the rate of 3.54% (2011: 3.05%) per annum for the year ended 31 December 2012.

(b) Interest expenses were capitalised as properties under development at the rate of 7.82% (2011: 6.68%) per annum for the year ended 31 December 2012.

34. NET FOREIGN EXCHANGE LOSSES

The exchange differences charged to the consolidated income statement are included as follows:

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
		As restated
Other gains - net *(Note 30)*	**178**	384
Net finance costs *(Note 33)*	**(9)**	(22)
	169	362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. 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	
	2012	2011
	RMB 'million	*RMB 'million*
		As restated
Current income tax:		
PRC enterprise income tax	**2,503**	2,822
Overseas taxation	**14**	16
	2,517	2,838
Deferred income tax *(Note 28)*	**(51)**	(385)
PRC land appreciation tax *(d)*	**522**	530
	2,988	2,983

35. 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	
	2012	2011
	RMB 'million	*RMB 'million*
		As restated
Profit before income tax	**1,855**	8,880
Tax calculated at the statutory tax rate of 25%	**464**	2,220
Effect of difference between applicable tax rate and statutory tax rate to Group companies	**(396)**	(507)
Tax losses and other temporary differences for which no deferred income tax assets were recognised and utilisation of previously unrecognised tax losses and other temporary differences	**2,368**	823
Income not subject to taxation	**(64)**	(56)
Expense not deductible for tax purpose	**366**	320
Additional tax relief	**(183)**	(168)
Effect of higher tax rate for the appreciation of land in the PRC	**392**	398
Others	**41**	(47)
Income tax expense	**2,988**	2,983

(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.

35. 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, the State Administration of Taxation of the People's Republic of China issued the Cai Shui [2011] No.111 "Note on the pilot transform from business tax to VAT in Shanghai communication and transportation industry and new services industry". According to this Note, enterprises and individuals, who provide communication and transportation services and some of new services within the territory of the PRC, are VAT taxpayers. For taxpayers providing such taxable services, VAT should be paid in accordance with this approach, which is no longer subject to business tax. Besides the current standard VAT tax rate 17% and low VAT tax rate 13%, there are two more levels of tax rate, 11% and 6%. This Note was effective on 1 January 2012.

On 31 July 2012, as approved by the State Council, Ministry of Finance of China and State Administration of Taxation of China issued the Cai Shui [2012] No.71 "Note on the pilot transform from business tax to VAT in 8 provinces(cities, including Beijing)' communication and transportation industry and new services industry". According to this Note, the pilot area which transforms business tax to VAT in communication and transportation services and some of new services has expanded from Shanghai, to Beijing, Tianjin, Jiangsu Province, Anhui Province, Zhejiang Province(including Ningbo), Fujian Province(including Xiamen), Hubei Province and Guangdong Province (including Shenzhen) in batches. These pilot areas should organise related implementation work starting from 1 August 2012. Beijing, Jiangsu and Anhui Provinces, Fujian and Guangdong Provinces and Tianjin, Zhejiang and Hubei Provinces should complete the transformation from old tax system to new tax system on 1 September 2012, 1 October 2012, 1 November 2012 and 1 December 2012 respectively.

The Group's subsidiaries have executed the transformation from business tax to VAT according to the Note as mentioned above in these pilot areas.

(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.

36. DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' and supervisors' emoluments

	Year ended 31 December 2012 RMB 'thousand	2011 RMB 'thousand
Directors and supervisors		
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,766**	2,700
— Contributions to pension plans	**225**	180
— Discretionary bonuses	**1,991**	2,008
	4,982	4,888

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

(i) *For the year ended 31 December 2012:*

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind *RMB 'thousand*	Contributions to pension plans *RMB 'thousand*	Discretionary bonuses *RMB 'thousand*	Total *RMB 'thousand*
Directors				
Mr. Jing Tianliang	251	—	—	251
Mr. Wang Weimin	278	22	274	574
Mr. Shen Heting*	285	33	274	592
Mr. Guo Wenqing	258	33	247	538
Mr. Jiang Longsheng	178	—	—	178
Mr. Wen Keqin	173	—	—	173
Mr. Liu Li	170	—	—	170
Mr. Chen Yongkuan	151	—	—	151
Mr. Cheung Yukming	125	—	—	125
Mr. Lin Jinzhen*	190	33	326	549
Supervisors				
Mr. Han Changlin	256	30	247	533
Mr. Shan Zhongli*	89	8	60	157
Mr. Peng Haiqing	176	33	237	446
Mr. Shao Bo	186	33	326	545
	2,766	225	1,991	4,982

* Mr. Shen Heting, the director, is also the chief executive of the Group.

* Mr. Lin Jinzhen and Mr. Shan Zhongli were appointed on 29 October 2012.

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

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

(ii) For the year ended 31 December 2011:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind *RMB 'thousand*	Contributions to pension plans *RMB 'thousand*	Discretionary bonuses *RMB 'thousand*	Total *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 Bo	233	30	317	580
	2,700	180	2,008	4,888

* Mr. Shen Heting, the director, is also the chief executive of the Group.

36. 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 36 (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	
	2012	2011
	RMB 'thousand	*RMB 'thousand*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**587**	771
Contributions to pension plans	**165**	150
Discretionary bonuses	**8,691**	8,780
	9,443	9,701

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

	Number of individuals Year ended 31 December	
	2012	2011
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	**4**	2
HK$2,500,001 to HK$3,000,000	**—**	2
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	**—**	—
HK$4,500,001 to HK$5,000,000	**—**	—
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share for the year ended 31 December 2012 and 2011 is calculated by dividing the (loss)/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	
	2012	2011
	RMB 'million	*RMB 'million*
		As restated
(Loss)/profit from continuing operations attributable to equity holders of the Company	**(1,574)**	4,907
Loss from discontinued operations attributable to equity holders of the Company	**(5,378)**	(664)
	(6,952)	4,243
Weighted average number of ordinary shares in issue *(million)*	**19,110**	19,110
Basic (loss)/earnings per share *(RMB)*	**(0.36)**	0.22

(b) Diluted

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

38. DIVIDENDS

No dividend for the year ended 31 December 2012 was declared by the Board of Directors (2011: Nil).

39. CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
(Loss)/profit for the year	**(10,455)**	3,712
Adjustments for:		
Income tax expense	**3,013**	2,971
Share of profit from associates	**(14)**	(56)
Fair value gains on financial assets at fair value through profit or loss	**—**	(1)
Gains on disposal of subsidiaries	**(3,400)**	(765)
Losses on liquidation of subsidiaries	**1**	—
Gains on disposal of associates	**(23)**	—
Gains on disposal of available-for-sale financial assets	**(60)**	(204)
Gains on disposal of held-to-maturity financial assets	**—**	(22)
Net gains on disposal of property, plant and equipment	**(158)**	(5)
Net losses on retirement of property, plant and equipment	**377**	—
Net gains on disposal of intangible assets	**(31)**	—
Dividends income on available-for-sale financial assets	**(65)**	(73)
Dividends income on financial assets at fair value through profit or loss	**—**	(1)
Provision for impairment of available-for-sale financial assets	**34**	13
Losses/(gains) on debt restructuring	**4**	(5)
Interest income	**(945)**	(1,638)
Interest expense	**5,518**	4,360
Net foreign exchange gains on borrowings	**(9)**	(32)
Exchange losses on cash and cash equivalents	**21**	64
Provision for impairment of trade and other receivables	**9,083**	1,044
Provision for impairment of inventories	**1,050**	314
Provision for impairment of properties under development	**55**	8
Provision for impairment of investments in associates	**6**	—
Provision for impairment of goodwill	**114**	42
Provision for impairment of land use rights	**288**	40
Provision for impairment of property, plant and equipment	**2,206**	70
Provision for impairment of mining rights	**2,645**	—
(Reversal of)/provision for impairment of other non-current assets	**(2)**	5
Depreciation of property, plant and equipment	**2,422**	2,209
Depreciation of investment properties	**37**	41
Amortisation of land use rights	**187**	183
Amortisation of intangible assets	**140**	109
Amortisation of mining rights	**35**	81
Amortisation of government grants	**(160)**	(206)
Amortisation of other non-current assets	**47**	41
Foreseeable losses on construction contracts	**288**	120
Income from liabilities forgiven	**(33)**	(62)
Other exchange losses	**155**	323
Cash flows from operating activities before changes in working capital	**12,371**	12,680

39. CASH GENERATED FROM OPERATIONS *(Continued)*

	Year ended 31 December 2012 RMB 'million	2011 RMB 'million
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
Inventories, properties under development and completed properties held for sale	**(1,928)**	(13,964)
Trade and other receivables	**(9,041)**	(14,066)
Contract work-in-progress	**(4,466)**	(3,520)
Early retirement and other supplemental benefit obligations	**(686)**	(178)
Trade and other payables	**11,217**	9,963
Provisions	**(13)**	24
Financial assets at fair value through profit or loss	**50**	(351)
Proceeds from government grants	**33**	9
Cash generated from/(used in) operations	**7,537**	(9,403)

40. DISPOSAL OF SUBSIDIARIES

All the effects of the disposal of Huludao Nonferrous Group were excluded from the information disclosed in this Note below since it was considered as discontinued operations. For details of the discontinued operations, refer to Note 41 for details.

(a) For the year ended 31 December 2012:

For the year ended 31 December 2012, the Group disposed of its equity interests in the following companies:

Company name	Disposal date	Percentage of equity interests disposed Directly held	Percentage of equity interests disposed Indirectly held	Sales Proceeds RMB 'million
ACRE Coking & Refractory (Jiangyin) Equipment Manufacturing Co., Ltd.	12 March 2012	—	52%	22
Tianjin MCC 20 Group Steel Structure Manufacturing Co., Ltd.	30 April 2012	—	100%	349
WISDRI(Xinyu) Cold Processing Engineering Co., Ltd.	30 June 2012	—	11%	— *
Shanghai Baosteel 13th Metallurgical Construction Co., Ltd.	3 July 2012	—	80%	13
Wuhan Yi Ye Municipal Engineering Co., Ltd.	20 August 2012	—	55%	26
Qinghuangdao Jiayu Real Estate Development Co., Ltd.	30 September 2012	—	100%	81
Maanshan MCC Economic Development Company Limited	30 September 2012	—	2%	— *
Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	1 October 2012	—	26%	42
Hubei Zhongye Debang Investment Co., Ltd.	1 October 2012	—	51%	26
Foshan Yechuang Metallurgy Metal Products Co., Ltd.	31 October 2012	—	100%	— *
Zhong Ye(Fujian) Real Estate Development Co., Ltd.	1 November 2012	—	45%	72
Beijing Shidai Antai Real Estate Company Limited	31 December 2012	—	70%	54
				685

* The sales proceeds is smaller than RMB1 million.

40. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) For the year ended 31 December 2012**:** *(Continued)*

Details of the sales proceeds and gains on disposal are as follows:

	RMB 'million
Sales proceeds:	
Cash received	323
Consideration receivables	13
Long term equity investment	349
Fair value of the remaining 40% share of WISDRI(Xinyu) Cold Processing Engineering Co., Ltd. on disposal date	179
Fair value of the remaining 20% share of Shanghai Baosteel 13th Metallurgical Construction Co., Ltd. on disposal date	3
Fair value of the remaining 49% share of Maanshan MCC Economic Development Company Limited on disposal date	51
Fair value of the remaining 25% share of Inner Mongolia Zhongye DeBang real estate Co., Ltd. on disposal date	26
Fair value of the remaining 30% share of Zhong Ye(Fujian) real estate development Co., Ltd. on disposal date	28
Fair value of the remaining 30% share Beijing Shidai Antai Real Estate Company Limited on disposal date	3
Less: Net assets disposed - as shown below	929
Non-controlling interests	(337)
Gains on disposal	383

The effects of the disposal of Huludao Nonferrous Group were excluded from the table above since it was considered as discontinued operations. For details of the discontinued operations, refer to Note 41 for details.

40. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) For the year ended 31 December 2012**:** *(Continued)*

The details of the net assets disposal are as follows:

	RMB 'million
Cash and cash equivalents	169
Property, plant and equipment	815
Inventories	206
Properties under development	1,651
Land use rights	103
Deferred income tax assets	15
Available-for-sale financial assets	2
Trade and other receivables	916
Other non-current assets	69
Trade and other payables	(2,046)
Borrowings	(971)
Net assets	929
Non-controlling interests	(337)
Net assets disposed	592
Sales proceeds - cash received	323
Less: Cash and cash equivalents of subsidiaries disposed	(169)
Net cash inflow on disposal of subsidiaries	154

40. DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) For the year ended 31 December 2012: *(Continued)*

The effect of the disposal to consolidated income statement is as follows:

	For the period from 1 January 2012 to the effective date of disposals *RMB 'million*	Year ended 31 December 2011 *RMB 'million*
Revenue	977	1,960
Expense	(1,033)	(2,061)
Loss before tax	(56)	(101)
Income tax expense	7	1
Loss for the year	(49)	(100)
Attributable to:		
Equity holders of the Company	(41)	(83)
Non-controlling interests	(8)	(17)
	(49)	(100)

(b) 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 Directly held	Percentage of equity interests disposed Indirectly held	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
Shanghai MCC Baosteel Qicheng Gas Co., Ltd.	31 December 2011	—	51%	1
Yichang Heavy-duty Engineering Machinery Co., Ltd.	31 December 2011	—	50%	3
				890

40. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 December 2011: *(Continued)*

Details of the sales proceeds 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

The details of the net assets disposed are 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

40. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 December 2011: *(Continued)*

The effect of the disposal to consolidated income statement is as follows:

	For the period from 1 January 2011 to the effective date of disposals *RMB 'million*	**Year ended 31 December 2010** *RMB 'million*
Revenue	229	276
Expense	(211)	(281)
Loss before tax	18	(5)
Income tax expense	(7)	—
Loss for the year	11	(5)
Attributable to:		
Equity holders of the Company	5	(1)
Non-controlling interests	6	(4)
	11	(5)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. DISCONTINUED OPERATIONS

During the year ended 31 December 2012, Huludao Nonferrous, a subsidiary of the Company, suffered continuous increase of operating losses, further deterioration of capital conditions, negative carrying amount of net assets and significant uncertainty to continue as a going concern. As at 31 December 2012, the Company evaluated the recoverable amount of its investment in Huludao Nonferrous, based on the result of evaluation, the Company made an impairment provision on its investment in Huludao Nonferrous amounting to RMB593 million (2011: RMB2,250 million). The Company's investment in Huludao Nonferrous has been fully impaired, which means the carrying amount of investment in Huludao Nonferrous is Nil (Note 11(i)).

On 31 December 2012, The Company entered into an equity transfer agreement with the Parent, pursuant to which the Company transferred its 51.06% equity interests in Huludao Nonferrous to the Parent at a consideration of RMB1 yuan based on the value of net assets of Huludao Nonferrous appraised by an independent valuer, China Assets. The equity transfer agreement was approved by the Boards of directors of the Company and the Parent on 31 December 2012. Based on the above, the Group concluded that the effective date of the equity transfer to be 31 December 2012.

As at 31 December 2012, the Company also had a receivable from Huludao Nonferrous Group amounting to RMB7,747 million, including other receivables and interest receivables of RMB6,841 million and RMB906 million respectively. This receivable from Huludao Nonferrous Group was not transferred to the Parent according to aforementioned transfer of equity interests of Huludao Nonferrous to the Parent according to the equity transfer agreement. Accordingly, the Company engaged China Assets, the independent valuer, to appraise the fair value of these receivables from Huludao Nonferrous Group. Based on this assessment, the Company made an impairment provision of RMB6,887 million (Note 15(i)) on the receivables from Huludao Nonferrous Group for the year ended 31 December 2012 (2011: Nil), comprising impairment provisions of RMB5,981 million on other receivables and RMB906 million on interest receivables respectively.

Since Huludao Nonferrous Group was a component of the Group's business, representing a separate major line of business with separately identifiable operations and cash flows, it is classified as discontinued operations. Accordingly, the results of Huludao Nonferrous Group are separately reported as "discontinued operations" in the consolidated income statements. In addition, the loss recognised on the disposal of assets of Huludao Nonferrous Group was also included as "discontinued operations".

41. DISCONTINUED OPERATIONS *(Continued)*

The details of the net assets of discontinued operations as at 31 December 2012 are as follows:

	RMB 'million
Cash and cash equivalents	13
Restricted cash	237
Property, plant and equipment	2,721
Inventories	869
Mining rights	211
Land use rights	1,320
Available-for-sale financial assets	53
Trade and other receivables	646
Other non-current assets	36
Trade and other payables	(9,825)
Borrowings	(4,303)
Deferred income	(168)
Deferred income tax liabilities	(21)
Retirement and other supplemental benefit obligations	(440)
Net assets	(8,651)
Non-controlling interests	5,634
Net assets disposed	(3,017)
Sales proceeds - cash received	—
Less: Cash and cash equivalents of subsidiaries disposed	(13)
Net cash inflow on disposal of subsidiaries	(13)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. DISCONTINUED OPERATIONS *(Continued)*

The results and cash flows of discontinued operations are as follows:

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Revenue	**4,499**	7,608
Expenses	**(9,862)**	(9,806)
Loss before tax of discontinued operations	**(5,363)**	(2,198)
Income tax expense	**(25)**	13
Loss after tax of discontinued operations	**(5,388)**	(2,185)
Loss on disposal of discontinued operations before tax	**(3,934)**	—
Income tax expense	**—**	—
Loss on disposal of discontinued operations after tax	**(3,934)**	—
Loss for the year from discontinued operations	**(9,322)**	(2,185)
Attributable to:		
Equity holders of the Company	**(5,378)**	(664)
Non-controlling interests	**(3,944)**	(1,521)
Loss for the year from discontinued operations	**(9,322)**	(2,185)

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Net cash (outflow)/inflow from operating activities	**(982)**	490
Net cash (outflow)/inflow from investing activities	**(9)**	431
Net cash inflow/(outflow) from financing activities	**838**	(915)
Net (decrease)/increase in cash and cash equivalents	**(153)**	6
Cash and cash equivalents at beginning of the year	**168**	159
Exchange (losses)/gains on cash and cash equivalents	**(2)**	3
Cash and cash equivalents at end of the year	**13**	168

42. FINANCIAL GUARANTEES

The nominal values of the financial guarantees issued by the Group and the Company as at 31 December 2012 are analysed as below:

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Outstanding guarantees *(i)*		
Third parties	**174**	234
Related parties	**130**	11
	304	245

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Outstanding guarantees *(ii)*		
Subsidiaries	**9,426**	13,026

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

(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 of secured loans is on schedule and risk of default in payment is remote. Therefore no provision has been made in the financial statements for the guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. CONTINGENCIES

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Pending lawsuits/arbitrations	**951**	706

(i) The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. The balance is the maximum exposure of such lawsuits that the Group is named as defendants. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and legal advice. No provision has been made for the above pending lawsuits since management believes the outflow of resources is not probable.

(ii) Due to unexpected events including the severe weather, such as hurricane, the schedule of Western Australia SINO Iron Ore project has been delayed, which led to substantial increase in project costs and exceeded the Group's expectations. Management believes the Group has taken various measures to accelerate the construction progress and control the project costs, and thus mitigated the delays it may have caused and decreased the related losses. On the clauses in the contract that the Group signed with the owner in relation to the claim for the losses arising from the schedule delays caused by the contractor, the Group has negotiated with the owner and reached an agreement that the project delays were caused by various reasons and both parties agreed to consider from each other's perspectives to resolve the problems properly. As at the date of approval of these consolidated financial statements, the owner has not claimed any losses due to project delays. The Group has made an effort to shorten the delay of the project schedule. Based on such understanding, the Group estimated that the possibility of being claimed by the owner is small and thus no contingent liabilities were accrued.

44. COMMITMENTS

(a) Capital commitments

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Contracted but not yet incurred		
Property, plant and equipment	**25,288**	26,691
Land use rights	**3,947**	4,787
Mining rights	**4,287**	4,603
Intangible assets	**255**	299
Total	**33,777**	36,380

44. COMMITMENTS *(Continued)*

(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	
	2012	2011
	RMB 'million	*RMB 'million*
Less than 1 year	**15**	54
1 year to 5 years	**20**	12
Over 5 years	**20**	21
Total	**55**	87

45. RELATED PARTY DISCLOSURES

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

In accordance with IAS 24 ''Related Party Disclosures'', other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group (collectively referred as the ''other state-owned enterprises''). On that basis, related parties include the Parent and its subsidiaries, other state-owned enterprises and their subsidiaries, other entities and corporations in which the Group is able to control or exercise significant influence and key management personnel of the Company and the Parent as well as their close family members. For the purpose of the related party transaction disclosures, 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 2012 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.

45. RELATED PARTY DISCLOSURES *(Continued)*

(a) Significant related party transactions

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

With Parent and fellow subsidiaries

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Sales of goods or provision of services	**91**	133
Purchases of goods or services	**98**	141
Rental expense	**57**	57

As stated in Note 41, the Company has transferred all of its 51.06% equity interests in Huludao Nonferrous to the Parent on 31 December 2012.

With associates

	Year ended 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Sales of goods or provision of services	**362**	95
Purchases of goods or services	**95**	42
Loans to associates	**497**	133
Guarantees provided to associates	**145**	11
Interest income	**118**	100

Impairment charges of receivables due from associates amounting to RMB33 million (2011: Nil) were recognised as expense for the year ended 31 December 2012.

45. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties

(i) Trade and other receivable

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Trade receivables due from		
Parent and fellow subsidiaries	**172**	63
Associates	**210**	206
Less: provision for impairment	**(66)**	(9)
	316	260
Other receivables due from		
Parent and fellow subsidiaries	**7,747**	1
Associates	**1,934**	1,291
Less: provision for impairment	**(6,918)**	(1)
	2,763	1,291
	3,079	1,551

As at 31 December 2012, loans to associates of RMB1,208 million (2011: RMB811 million) included in other receivables due from associates bear interests at rates ranging from 6.10% to 12% (2011: 6.31% to 12%) per annum and with loan periods due within 1 year. Loans to associates are unsecured.

Other than the above loans to associates, trade and other receivables due from Parent, fellow subsidiaries and associates are interest free, unsecured and repayable on demand or within the period as agreed in relevant contract terms.

45. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties *(Continued)*

(i) Trade and other receivable (Continued)

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Trade receivables due from subsidiaries	**697**	906
Other receivables due from subsidiaries	**44,838**	47,706
	45,535	48,612

As at 31 December 2012, loans to subsidiaries of RMB38,279 million (2011: RMB36,466 million) included in other receivables due from subsidiaries bear interests at rates ranging from 4.30% to 7.54% (2011: 2.34% to 7.54%) per annum and with loan periods that range from 1 year to 3 years.

Other than the above loans to subsidiaries, trade and other receivables due from subsidiaries are interest free, unsecured and receivable on demand or within the period as agreed in relevant contract terms.

(ii) Trade and other payable

Group

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Trade payables due to		
Parent and fellow subsidiaries	**14**	29
Associates	**69**	28
	83	57
Other payables due to		
Parent and fellow subsidiaries	**512**	27
Associates	**49**	2
	561	29
	644	86

Trade and other payables due to Parent, fellow subsidiaries and associates are interest free, unsecured and payable on demand or within the period as agreed in relevant contract terms.

45. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties *(Continued)*

(ii) Trade and other payable (Continued)

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Trade payables due to subsidiaries	**382**	588
Other payables due to subsidiaries	**7,918**	9,989
	8,300	10,577

Trade and other payables due to subsidiaries are interest free, unsecured and payable on demand or within the period as agreed in relevant contract terms.

(iii) Borrowings

Company

	As at 31 December	
	2012	2011
	RMB 'million	*RMB 'million*
Subsidiaries	**2,400**	1,432

The Company's borrowings from subsidiaries as at 31 December 2012 are unsecured, bear interest at 4.20% (2011: 6.56%) per annum and are repayable in December 2013 (2011: December 2012).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. 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	
	2012	2011
	RMB 'thousand	*RMB 'thousand*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**4,215**	4,348
Contributions to pension plans	**423**	360
Discretionary bonuses	**3,413**	3,778
	8,051	8,486

(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.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) Subsidiaries

As at 31 December 2012, 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	RMB446	100%	—	Design, research, engineering and construction/PRC
China Enfi Engineering Co., Ltd.	PRC	Limited liability company	RMB1,481	100%	—	Design, engineering, procurement and construction ("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/ Pakistan, Afghanistan
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/Australia
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(a) Subsidiaries *(Continued)*

As at 31 December 2012, the Group had direct and indirect equity interests in the following principal subsidiaries: *(Continued)*

Company Name	Place of incorporation	Type of legal entities	Issued / paid-in capital	Attributable equity interest		Principal activities and place of operation
				Directly held	Indirectly held	
			Million			
Non-listed companies -						
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
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	RMB732	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 MCC 22 Group Corporation Ltd.	PRC	Limited liability company	RMB1,638	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(a) Subsidiaries *(Continued)*

As at 31 December 2012, the Group had direct and indirect equity interests in the following principal 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 - *(Continued)*						
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
MCC Xiangxi Mining Co., Ltd.	PRC	Limited liability company	RMB24	50%(1)	—	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

(1) Pursuant to contractual agreements between the shareholders, the Company has control of MCC Xiangxi Mining Co., Ltd.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(a) Subsidiaries *(Continued)*

As at 31 December 2012, the Group had direct and indirect equity interests in the following principal 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 - *(Continued)*						
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/Argentina
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
Ramu NiCo Management (MCC) Limited	Papua New Guinea	Limited liability company	— (2)	100%	—	Nico mineral mining and smelting/Papua New Guinea
MCC Australia Holding Pty Ltd.	Australia	Limited liability company	AUD10	100%	—	Resources development/Australia
MCC-SFRE Heavy Industry Equipment Co., Ltd.	PRC	Limited liability company	RMB1,286	71%	—	Metallurgy specialised 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

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

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(b) Associates

As at 31 December 2012, 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%(3)	—	Equipment fabrication /PRC
Tianjin Zhongji Equipment Manufacture Co., Ltd.	PRC	Limited liability company	RMB900	50%(3)	—	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%(3)	—	Hotel Services/PRC
MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	PRC	Limited liability company	RMB250	51%(3)	—	Equipment fabrication/PRC

(3) Pursuant to articles of association and contractual agreements between the shareholders, the Group does not have control of these entities, but still retain significant influences on these entities.

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.

47. ULTIMATE HOLDING COMPANY

The Directors consider 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.

48. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2013.

49. EVENTS AFTER THE BALANCE SHEET DATE

On 5 February 2013 ("date of transfer"), the Company transferred the receivables due from Huludao Nonferrous with gross amount of RMB7,747 million (carrying amount of RMB860 million) to the Parent. The transfer price of the receivables was determined to be RMB860 million based on the revalued amounts of the receivables. According to the "Transfer Agreement of Receivables" signed between the Company and the Parent, the Company shall not claim against the Parent for the interest accrued on the receivables during the period from the date of transfer to the effective date of the agreement.

The Company has received the above consideration from the Parent on 7 February 2013.

OTHER FINANCIAL INFORMATION

FINANCIAL HIGHLIGHTS PREPARED IN ACCORDANCE WITH IFRS

Consolidated Operating Results

	Year 2012 (RMB 'million)	Year 2011 (Restated) (RMB 'million)	Year 2010 (RMB 'million)	Year 2009 (Restated) (RMB 'million)	Year 2008 (RMB 'million)
Revenue	**216,242**	222,113	206,397	165,495	157,887
Cost of sales	**(200,202)**	(200,497)	(185,635)	(149,686)	(145,595)
Gross profit	**16,040**	21,616	20,762	15,809	12,292
Selling and marketing expenses	**(1,622)**	(1,792)	(1,530)	(1,043)	(928)
Administrative expenses	**(11,116)**	(11,076)	(9,689)	(7,202)	(6,566)
Other income	**1,041**	1,347	1,112	955	1,064
Other gains - net	**631**	791	(21)	39	525
Other expenses	**(117)**	(158)	(198)	(140)	(85)
Operating profit	**4,706**	10,728	10,436	8,418	6,302
Finance income	**1,828**	1,623	849	806	548
Finance costs	**(4,695)**	(3,527)	(2,876)	(2,621)	(3,005)
Share of profits of associates	**16**	56	134	85	120
Profit before income tax	**1,855**	8,880	8,543	6,688	3,965
Income tax expense	**(2,988)**	(2,983)	(2,972)	(1,500)	(840)
(Loss)/profit for the year from continuing operations	**(1,133)**	5,897	—	—	—
Loss for the year from discontinued operations	**(9,322)**	(2,185)	—	—	—
(Loss)/profit for the year	**(10,455)**	3,712	5,571	5,188	3,125
Attributable to:					
Equity holders of the Company	**(6,952)**	4,243	5,321	4,425	3,150
Non-controlling interests	**(3,503)**	(531)	250	763	(25)
	(10,455)	3,712	5,571	5,188	3,125
(Loss)/profit attributable to equity holders of the Company arising from:					
Continuing operations	**(1,574)**	4,907	—	—	—
Discontinued operations	**(5,378)**	(664)	—	—	—
	(6,952)	4,243	5,321	4,425	3,150

OTHER FINANCIAL INFORMATION

	Year 2012 *(RMB)*	Year 2011 (Restated) *(RMB)*	Year 2010 *(RMB)*	Year 2009 (Restated) *(RMB)*	Year 2008 *(RMB)*
(Loss)/earnings per share from continuing and discontinued operations attributable to equity holders of the Company					
Basic (loss)/earnings per share					
From continuing operations	**(0.08)**	0.26	—	—	—
From discontinued operations	**(0.28)**	(0.04)	—	—	—
(Loss)/profit for the year	**(0.36)**	0.22	0.28	0.30	0.24
Diluted (loss)/earnings per share					
From continuing operations	**(0.08)**	0.26	—	—	—
From discontinued operations	**(0.28)**	(0.04)	—	—	—
(Loss)/profit for the year	**(0.36)**	0.22	0.28	0.30	0.24
(Loss)/earnings per share for profit attributable to the equity holders of the Company					
— Basic (loss)/earnings per share	**(0.36)**	0.22	0.28	0.30	0.24
— Diluted (loss)/earnings per share	**(0.36)**	0.22	0.28	0.30	0.24
Dividends *(RMB 'million)*	**—**	—	898	1,875	256

The consolidated total assets and total liabilities of the Company as at 31 December 2008, 2009, 2010, 2011 and 2012 are summarised as below:

	Year 2012 *(RMB 'million)*	Year 2011 *(RMB 'million)*	Year 2010 *(RMB 'million)*	Year 2009 (Restated) *(RMB 'million)*	Year 2008 *(RMB 'million)*
Total assets	**326,235**	332,031	288,221	231,841	170,918
Total liabilities	**273,433**	273,856	234,709	185,765	163,290
Net assets	**52,802**	58,175	53,512	46,076	7,628

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

DEFINITIONS

2011 AGM	the 2011 annual general meeting of the Company held on 15 June 2012
Articles of Association	Articles of Association of Metallurgical Corporation of China Ltd.*
A Share(s)	the domestic shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
Board	the board of Directors of the Company
China or PRC	the People's Republic of China, excluding, for purposes of this document only, Hong Kong, Macao and Taiwan
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 Share(s)	the overseas listed foreign invested shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
HK$ or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Stock Exchange, Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
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

* *For identification purpose only*

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

MCC, our Company, the Company	means Metallurgical Corporation of China Ltd.*, a joint stock limited company with limited liability incorporated under the laws of the PRC on 1 December 2008 or, where the context refers to any time prior to its incorporation, the businesses which its predecessors were engaged in and which were subsequently assumed by it pursuant to the Parent reorganisation
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
connected person(s)	connected party/parties under A Share listing requirements and connected person(s) under Listing Rules of H Shares
Pansteel	Pansteel Group Corporation and, except where the context otherwise requires, all of its associates
Wusteel	Wuhan Iron and Steel (Group) Corp., Ltd. and, except where the context otherwise requires, all of its associates
MCC Group, Parent	China Metallurgical Group Corporation
Parent Group	China Metallurgical Group Corporation and its subsidiaries (except MCC)
Huludao Nonferrous	MCC Huludao Nonferrous Metals Group Co., Ltd.
Renminbi or RMB	Renminbi, the lawful currency of the PRC
Reporting Period	from 1 January 2012 to 31 December 2012
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 Metallurgical Corporation of China Ltd.
Corporate Governance Code	the revised Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules coming into effect from 1 April 2012

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

TECHNICAL TERMS

BT	Build-Transfer, a business model in which the contractor undertakes the financing of construction expenditures and transfers the project back to the proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in instalments pursuant to relevant agreements
EPC	commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be responsible for the quality, safety, timely delivery and cost of the project
exploration	activity to prove the location, volume and quality of a mineral occurrence
design	application of engineering theories and techno-economic approaches, based on the prevailing technical standards, for conducting all-round design (including requisite non-standardised equipment design) and techno-economic 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
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
smelting	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed in ores
dry metric ton	the mineral weight excluding moisture

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