METALLURGICAL CORPORATION OF CHINA LTD. *

中國冶金科工股份有限公司

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

(Stock Code: 1618)

2009 ANNUAL RESULTS ANNOUNCEMENT

OVERVIEW

The board of Directors (the "Board") of Metallurgical Corporation of China Ltd. (the "Company") is pleased to announce the financial position as at 31 December 2009 and the operating results for the year ended 31 December 2009 of the Company and its subsidiaries (collectively the "Group"), which are mainly set out as follows:

- Revenue amounted to RMB165,018 million, representing an increase of 4.52% from RMB157,887 million in 2008.
- Profit for the year amounted to RMB5,238 million, representing an increase of 67.62% from RMB3,125 million in 2008.
- Profit attributable to equity holders of the Company amounted to RMB4,465 million, representing an increase of 41.75% from RMB3,150 million in 2008.
- Basic earnings per share amounted to RMB0.30, representing an increase of 25.00% from RMB0.24 in 2008.

- Total assets amounted to RMB228,273 million, representing an increase of 33.56% from RMB170,918 million in 2008.

- Total equity amounted to RMB43,692 million, representing an increase of 472.78% from RMB7,628 million in 2008.

- Newly signed contract value amounted to RMB218,850 million, representing an increase of 8.51% from 2008, including USD3,620 million of newly signed overseas contracts.

- The Board does not recommend payment of final dividend for the year ended 31 December 2009. The related proposal will be put forward for consideration and approval at the forthcoming annual general meeting of the Company ("AGM").

I. CORPORATE INFORMATION

Registered company name (in Chinese)	中國冶金科工股份有限公司
Company name (in English)	Metallurgical Corporation of China Ltd.
Registration date of the Company	1 December 2008
Registered office	No. 11 Gaoliangqiao Xiejie Haidian District Beijing PRC
Principal place of business in Hong Kong	Room 3205, 32/F, Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Legal representative of the Company	Shen Heting
Joint company secretaries	Huang Dan Ngai Wai Fung
Information and enquiry	Secretariat of the Board

Telephone number	(86) 105986 8666
Website address	www.mccchina.com
Place of listing	Hong Kong Stock Exchange Shanghai Stock Exchange
Stock name	MCC
Stock code	1618 (Hong Kong) 601618 (Shanghai)

II. BUSINESS REVIEW

(1) Engineering and Construction Business

The engineering and construction business accounts for one of the traditional core business segments of the Group, which represents over 75% of the Group's total revenue over the years. Details of the EPC contracting segment in 2009 are set out in the table below:

Unit: RMB million

	2009	% of Total	2008	Year-on-year Growth
Segment revenue	**136,602**	81.96%	128,041	6.69%
Segment result	**6,960**	78.17%	5,472	27.19%
New contracted value	**185,000**	—	173,911	6.38%

The overall operating results of the engineering and construction segment in 2009

Under the influence of the global financial crisis and the macro policies launched by the PRC government with a view to cooling down the overheated iron and steel industry, investment in the PRC metallurgical industry contracted since the second half of 2008, and the Group recorded a significant drop in the contracted value of newly signed metallurgical engineering and construction segment contracts, which is expected to impact on the segment revenue of the engineering and construction operations in 2009. In view of this, the Group's management adjusted the business orientation of the engineering and construction segment in a timely manner by the end of 2008, for the sake of cementing the development of metallurgical engineering and construction projects, whilst actively expanding its engineering and construction services for building construction, transportation infrastructure and other projects and tapping the overseas market. With all these efforts, the Group managed to achieve remarkable results in the year.

Over the year, leveraging on the Group's complete industry chain and a sound engineering and construction qualification system, as well as its market-oriented operating approach and flexible business modes, the Group actively sought chances to establish partnerships with various parties and diversified its engineering and construction businesses in various fields, and was rewarded with remarkable economic benefits and social benefits. For instance, the Group actively took part in specialized projects concerning the construction of large urban infrastructures in collaboration with governmental authorities, enterprises and banks, in particular the construction projects in relation to railway transportation, urban roads as well as urban sewage and solid waste disposal facilities. In 2009, the Group signed long-term development agreements in respect of large comprehensive projects with the local governments of Hubei Province, Nanjing City, Shijiazhuang City, Zhuhai City, Chifeng City and so on, involving a total investment of approximately RMB106,530 million, which could contribute approximately RMB70,000 million to the output of the engineering and construction operations in these two years. These projects were granted approvals by respective local governments, which provided the Group with a new ground for its sustainable development. Besides, with its ample capital resources and active application of BT and other new engineering and construction modes, the Group secured 8 large BT engineering and construction projects in 2009, with a total contracted value of approximately RMB25,930 million. As such, the Group could further optimize the business structure of its engineering and construction segment, reduce the over-reliance of its engineering and construction operations upon the metallurgical market, and in turn prop up its ability to adapt to market changes.

The Group actively tapped the overseas market whilst exploring the domestic market, and managed to achieve remarkable results. In 2009, the Group achieved three advancements in its overseas engineering and construction operations, namely the expansion from the traditional iron and steel construction market to areas in the periphery and non-steel fields, the development from the export of low-output single-unit equipment to the export of high-capacity full-set plants, and the gradual development from exporting low-end technology to the third world countries to exporting more high-end technology to more developed countries. The Group also actively explored new regions and new areas of operations. At present, there are 129 projects undertaken by the Group in overseas market, which span across 87 countries and regions. Among these metallurgical engineering and construction projects, most have been upgraded from adopting simple engineering and construction methods to the application of EPC, EP and other modes. This also helped greatly in promoting the export of the Group's metallurgical technologies and specialized metallurgical equipment. In 2009, for example, the Group exported its 7m coke oven and a number of new technologies to overseas countries for the first time.

Details of the typical major engineering projects under the Group's engineering and construction business segment that were newly signed or under implementation in 2009 are as follows:

Number	Date of contract	Summary	Contractual amounts *(RMB in million)*	Parties	Term
Contracts of domestic projects					
1	February 2009	258mm seamless pipe hot continuous rolling project of Jiangsu Hualing Tin Steel and Special Steel Company Limited	1,198	CISDI Engineering Co., Ltd.	47 months
2	March 2009	700 sets main stacks of SL1500 fans	1,117 (Not yet started)	MCC Capital Engineering & Research Incorporation Limited	33 months
3	March 2009	Social welfare housing project of Helian Gongfang (河聯工房) (at the exit of eastern Kaiping) of Tangshan, Hebei Province	2,157	China MCC 22 Group Co., Ltd.	16 months
4	April 2009	Lead and zinc smelting project (60,000t/a of raw lead, 80,000t/a of electrolytic lead, 140,000t/a of electrolytic zinc) of Hulunbuir Chihong Mining Limited in Inner Mongolia	1,583	China Enfi Engineering Co., Ltd.	20 months
5	April 2009	Resettlement housing projects in Western New City Area (西部新城起步區) in Tanggu District, Tianjin	1,580	MCC Tiangong Construction Corporation Limited	20 months
6	April 2009	Social welfare housing and economically affordable housing projects in Heping District of Shenyang, Liaoning Province	3,863	China MCC 22 Group Co., Ltd.	28 months
7	May 2009	Reconstruction and expansion project of Changde Avenue (常德大道) in Changde, Hunan Province	1,088	China MCC 20 Construction Co., Ltd.	24 months

Number	Date of contract	Summary	Contractual amounts (*RMB in million*)	Parties	Term
8	May 2009	Social welfare housing project of Original Coking Plant District (原焦化廠區) in Tangshan, Hebei Province	1,089	China MCC 22 Group Co., Ltd.	16 months
9	June 2009	Project concerning the Hankou section of the Second Round Line (二環線) of Wuhan	3,506	China First Metallurgical Construction Corporation	22 months
10	July 2009	Lianhu Demolishment and Settlement Area (練湖拆遷安置區) (demolishment and settlement houses) in Danyang City of Jiangsu Province	1,000	China MCC 5 Group Co., Ltd. (中國五冶集團有限公司) (Formerly, MCC Chenggong Construction Co., Ltd.)	31 months
11	August 2009	Capacity Replacement (Phase I) Technical Renovation Project of Anhui Changjiang Steel Co., Ltd.(安徽長江鋼鐵股份有限公司)(2*1,080m^3 blast furnace, steelmaking along with oxygen production)	1,003	Huatian Engineering & Technology Corporation, MCC	12 months
12	August 2009	1,800m^3 blast furnace construction project of Shaanxi Longmen Steel Co., Ltd. (陝西龍門鋼鐵有限公司)	1,036	WISDRI Engineering & Research Incorporation limited	10 months
13	December 2009	Old Town (Phase I) (舊城一期) reconstruction project in Songshan District, Chifeng City, Inner Mongolia	1,053	MCC Oriental Holding Co., Ltd. (Formerly, BERIS Engineering and Research Corporation)	36 - 60 months

Number	Date of contract	Summary	Contractual amounts *(RMB in million)*	Parties	Term
Contracts of overseas projects					
1	January 2009	Western Australian SINO iron ore mine project (processing plant with a scale of 12 million tons/ iron ore concentrates per year, pellet plant and ancillary with a scale of 6 million tons/year)	3,460 (USD462 million)	China MCC 20 Construction Co., Ltd.	42 months
2	August 2009	Iron and steel project no. 2 of Alpha Company(阿爾法公司) in Iran (1.20 million tons of agglomeration plant, 1 million tons of iron-making plant with blast furnace, 1 million tons of steel-making plant and 1 million tons of billet continuous casting workshop)	4,383 (Euro449 million, pending to come into effect)	MCC Capital Engineering & Research Incorporation Limited	42 months

Number	Date of contract	Summary	Contractual amounts *(RMB in million)*	Parties	Term
3	December 2009	Guanglian Vietnam large joint steel plant project(廣聯越南大型聯合鋼廠項目)(4,350m^3 blast furnace, 230t converter furnace, 2 flow 1,300mm slab caster and the main equipment of bar-rolling, wire-rolling and plate-rolling mills)	9,574 (USD1,408 million)	CISDI Engineering Co., Ltd.	36 months
4	December 2009	Coking and refractory project of Guanglian Vietnam large joint steel plant project(廣聯越南大型聯合鋼廠項目焦化耐火項目)(with annual coking capacity of 3.20 million tons and three 600 tons rotary kilns)	2,790 (USD423 million)	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	26 months
5	December 2009	2x500m^2 sintering machine project of Guanglian Vietnam large joint steel plant (廣聯越南大型聯合鋼廠)	1,465 (USD215 million)	Zhong Ye Chang Tian International Engineering Co., Ltd.	26 months
6	December 2009	Project of Venezuela Mining Company (委內瑞拉礦業公司) to produce 3 million tons of pellets annually	1,130 (USD166 million)	MCC International Incorporation Ltd. (中冶國際工程技術有限公司)	26 months

In 2009, the Group received Luban Awards and a number of other awards which represent the highest honors in China's construction industry in respect of the projects undertaken by the Group or in which it had participated, fully testifying the comprehensive strength and supreme quality of its industry chain.

Awards received		**Number of awards**
Luban Awards		7
National High Quality Project Awards		7
Including:	Gold Awards	1
	Silver Awards	6
National Project Design Awards (全國工程設計獎)		16
Including:	Gold Awards	3
	Silver Awards	5
	Bronze Awards	8
High Quality Awards in the Metallurgical Industry (冶金行業優質獎)		173
Including:	Engineering-related	33
	Survey-related	30
	Design-related	110
100 Classic-cum-quality Engineering Projects for the Celebration of the 60th Anniversary of the Founding of the New China (新中國成立60周年經典暨精品100項工程)		4

Table Construction awards received in 2009

(2) Resources Development Business

In 2009, the Group continuously put great efforts in its resources development business. Segment revenue from the resources development business segment amounted to RMB7,644 million over the year, down 19.86% over last year and accounting for 4.59% of the total revenue.

Production and construction of the Group's major overseas mineral resources projects in 2009 are as follows:

1. Aynak Copper Mine, Afghanistan

The preliminary design of the construction for earlier production under this project was completed in February 2009; the design contract concerning the 30,000-ton explosive ground station was signed in March; the preliminary design of the engineering project of the ground station with an annual output of 30,000 tons of explosives was completed in May; the principal design contract under this project was signed in July; the opening and ribbon-cutting ceremony was successfully held in the same month at the project site; the temporary site construction and security construction were completed in late last year; the vectorization of the original topographic map of the mine region was largely completed and drilling was undertaken in the central mine region and western mine region; and the environmental assessment report was submitted to the mining affairs bureau and environmental protection bureau of Afghanistan for preliminary approval. The designed capacities of this project include mining and beneficiation of 60,000 tons per day and smelting of 200,000 tons per year. It is expected that the engineering project for earlier production will be completed in 2012, while full production will be achieved in 2014.

2. Duddar Lead-Zinc Mine, Pakistan

In 2009, the Group optimized the mining and filling techniques of the project, stepped up the efforts in surveying, optimized all sorts of economic and technical indicators in relation to mineral processing, completed the small-scale testing of mineral processing, and expanded the scope of testing, with the testing results basically in line with standards set forth in contracts. A small quantity of products were output in the year, including 500 tons of lead ore concentrates and 6,000 tons of zinc ore concentrates. The construction of shaft is scheduled for completion in 2012, following which the lower level mining zone will commence production and full production is expected to be achieved in 2013.

3. Saindak Copper-Gold Mine, Pakistan

In 2009, the Group strengthened the on-site production management of the project, stepped up the efforts in equipment management and raised all kinds of technical and economic indicators to ensure that the output and operation capacity targets set for major products were fully achieved. Over the year, the total stripping volume amounted to 21.64 million tons, completed Run of Mine kilo-tons per annum (ROM ktpa) was 5.27 million tons, while output of blister copper amounted to 18,432 tons.

Major Operation Indicators of Saindak Copper-Gold Mine, Pakistan *(Unit: million tons)*

	2008	**2009**	**Growth rate (100%)**
Total stripping volume	23.31	**21.64**	-7.16
ROM ktpa	5.251	**5.27**	0.36
Output of blister copper	0.0178	**0.018432**	3.55

Major operation indicators of Saindak Copper-Gold Mine, Pakistan

4. Cape Lambert Iron Ore, Australia

In 2009, the Group completed the further geotechnical drilling work of the project, kicked off the environmental impact assessment during the feasibility study stage and the testing over ore samples for experimental purpose, completed the filing of application documents in respect of tender for relevant feasibility studies and the leasing of mining sites, conducted investigations, discussions and negotiations in connection with historical remains, original inhabitants, reform of railway lines by Rio Tinto, joint construction of harbor ports and so on, and completed the transfer of assets of this project from MCC Western Australia Pty Ltd.（中冶西澳有限公司）to MCC Australia Holding Pty Ltd., both being the wholly-owned subsidiaries of the Company. It is currently expected that the mining permit will be granted in 2011, relevant construction work will be commenced in 2012 and production will be commenced in 2014.

5. Ramu nickel laterite mine, Papua New Guinea

This project already underwent its preliminary preparation, the foundation stone underlying and commencement of construction process and the engineering and construction stage. Production preparation work and engineering and construction progressed together and achieved steady development in 2009. It is expected that the principal engineering and construction work will be completed on 30 June 2010, following which materials will be input for trial operation. The expected output of the mine is as follows: an annual mining capacity of 5.70 million tons of ores, an annual processing capacity of 4.28 million tons of ores, or 3.21 million tons of dry ores, an annual output of 79,300 tons of nickel cobalt mixed hydroxides, or 33,000 tons of metal nickel (accounting for approximately one thirds of China’s imported nickel) and 3,300 tons of metal cobalt.

6. *Sierra Grande iron mine, Argentina*

The Project produced 280,000 tons of run-of-mine ores and 98,000 tons of iron concentrates in 2009. The preset target of 326,000 tons of iron concentrates was not achieved due mainly to the impacts of the labour strike emerged as a consequence of the general election of the parliament of Argentina. Against such a backdrop, the Group has, since 20 June 2009, adjusted its production plan and focuses of work, overcome external conditions and limiting factors, and put all efforts in coordinating the entire workflow, which comprises organization and expansion, mining preparation, transportation and dehydration of concentrates, as well as the maintenance and fine-tuning of the loading system. This helps ensure the enhancement of our annual capacity to 1.50 million tons of run-of-mine ores in 2010, and in turn lays a solid foundation for the full operation of the mine.

(3) Equipment Manufacturing Business

Business under the Group's equipment manufacturing segment mainly includes the 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 Group is one of the large metallurgical equipment manufacturers in China. Metallurgical equipments produced by the Group include:

- metallurgical equipment such as electric arc furnace, refined-smelting furnace, electroslag remelting furnace and blast furnace with bell-less top;

- continuous casting equipment such as bloom (round) casters, slab casters and billet casters;

- rolling equipment including cold and hot plate rolling and strip rolling mills, bar rolling and wire rolling mills, special rolling mills and painting and plating machine set of certain specifications;

- equipment for steel strip processing lines, including equipment for various types of steel strip processing lines, degreasing, acid cleansing and brushing equipment, pay-off reel machines, coiling machines and leveling machines of certain specifications; and

- ancillary equipment, including cutting equipment, hard gear transmission boxes, high-pressure hydro dephosphorization equipment, coil and plate transportation equipment, forging press and certain spare parts for metallurgical and mining equipment.

The Group is the largest steel structure manufacturer in China. The steel structure products produced by the Group principally include:

- construction steel structures, such as high-rise steel structures, residential steel structures, towers and mast steel structures, bridge steel structures, grid structures and light-weight portal frames;

- special steel structures, such as pressure vessels, spherical tanks, blast furnace bodies and so on.

Segment revenue from the Group's equipment manufacturing business dropped by 41.92% in 2009 as compared with 2008, along with a 62.81% decrease in segment result from the corresponding period of last year, primarily attributable to the exclusion of the financial results of MCC Hengtong Cold Rolling Technology Co., Ltd. from the Group since 1 December 2008 as a result of the Parent Reorganization which led to the consolidation of its financial results into the results of China Metallurgical Group Corporation, the parent. Meanwhile, the global financial crisis also posed negative impact on the price and sales volume of the equipment manufacturing business of the Group.

Unit: RMB million

	2009	2008	**Year-on-year Growth**
Segment revenue	**9,089**	15,649	-41.92%
Segment result	**209**	562	-62.81%
New contracted value	**11,196**	10,365	8.02%

The overall operating results of the equipment manufacturing segment in 2009

Phase I and II of Yingkou pilot test base, an investment project of the Group, commenced operation in May 2009. The three-year project occupied an area of 1.20 million sq.m. and involved an investment of approximately RMB2,740 million. Major constructions of which comprise a smelting workshop, a gas-making furnace workshop, a continuous casting workshop, a steel casting workshop, a forging and heat processing and cooling (machine) processing workshop, a welding workshop as well as ancillary public facilities for electricity, water and gas supply. Annual output of the project upon commencement of production includes 500,000 tons of iron water, 700,000 tons of steel water, 15,000 tons of all sorts of cast steel, 550,000 tons of continuous casting round billets, and 55,000 of all sorts of forged pieces. Major products include heavy and essential spare parts for metallurgy, machinery, chemical engineering, electricity, mining, energy and shipping industries, as well as large rolls, high alloy cast moulds and continuous casting round billets.

(4) Property Development Business

The Group's property development business mainly includes the development and sales of residential and commercial properties as well as land development. "MCC Real Estate"(中冶置業) ranked fourteenth in the 2009 "Leading Company Brands of China Real Estate"(中國房地產品牌價值排行榜), and ranked third in the "Leading Company Brands of Beijing Real Estate"(北京地區房地產品牌價值排行榜).

Unit: RMB million

	2009	% of Total	2008	Year-on-year Growth
Segment revenue	**9,438**	5.66%	4,199	124.77%
Segment result	**1,046**	11.75%	264	296.21%

Overall operating results of the property development segment in 2009

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

	2009	**2008**	**Year-on-year Growth**
Total investment	11,041	8,788	25.6%
Contracted sales area	12,410	6,042	105.4%
Contracted sales	11,294	4,048	179.0%
Gloss Floor Area (GFA) completed	9,920	4,630	114.3%
GFA under construction	47,690	35,148	35.7%
Including: Newly commenced GFA	25,650	17,430	47.2%
GFA under land reserve	28,090	17,880	57.1%

Specific operating results of the property development segment in 2009

There were 44 property development projects newly launched by the Group in 2009, with a total investment of approximately RMB55,147 million and a total GFA of 18.164 million sq.m.. Of these projects, 29 were social welfare housing projects with a total investment of RMB31,656 million and a total GFA of 13.258 million sq.m., which were scattered mainly in large and medium-sized cities in Tianjin, Shanghai, Liaoning, Hebei, Anhui, Zhejiang and other provinces, while 15 were commodity residential properties with a total investment of RMB23,491 million and a total GFA of 4.906 million sq.m., which mainly included commercial residential complex and commercial buildings featuring a clustering culture. In 2009, the Group also innovated its property development modes, which took primary development of land as the tie and focused on the construction of infrastructures, and endeavored to tap the area of urban complex development. Five projects concerning the primary development for large plots of land with a total investment of RMB71,826 million and area under consolidation of 25.42 sq.km. were newly signed by the Group.

The above newly developed specialized property projects and the specialized projects for primary development of land with a total investment of RMB126,973 million laid a firm foundation for the Group's property development in 2010-2013.

As one of the 16 enterprises owned by the PRC government that are principally engaged in property development, the Group put great efforts to promote the development and construction of social welfare housing and established a tripartite development mode which involves governmental authorities, enterprises and banks in 2009 in response to the appeal of the State Council to develop social harmony, safeguard public interests and fully construct a well-off society. In 2009, there were 29 specialized projects concerning the construction of social welfare housing newly kicked off by the Group, of which 11 projects already commenced construction during the year, with the area under construction amounting to 3.259 million sq.m. and the total investment amounting to RMB9,060 million. A total of RMB2,622 million was invested, which not only achieved better economic benefits but also duly performed the Group's social responsibilities.

The Group also actively promoted the "go global" strategy in its property segment, made North America, Eastern Europe and Oceania the key areas of development, and completed the preliminary research reports by studying a number of projects in overseas countries.

III. FINANCIAL REVIEW

(1) Overview

The Group's financial position as at 31 December 2009 and the operating results for the 12 months ended 31 December 2009 (the "Reporting Period" or the "Year") are set out as follows:

- Revenue amounted to RMB165,018 million, representing an increase of RMB7,131 million or 4.52% from RMB157,887 million in 2008.

- Profit for the Year amounted to RMB5,238 million, representing an increase of RMB2,113 million or 67.62% from RMB3,125 million in 2008.

- Profit attributable to equity holders of the Company amounted to RMB4,465 million, representing an increase of RMB1,315 million or 41.75% from RMB3,150 million in 2008.

- Basic earnings per share amounted to RMB0.30, representing an increase of RMB0.06 or 25.00% from RMB0.24 in 2008.

- Total assets as at 31 December 2009 amounted to RMB228,273 million, representing an increase of RMB57,355 million or 33.56% from RMB170,918 million in 2008.

- Total equity as at 31 December 2009 amounted to RMB43,692 million, representing an increase of RMB36,064 million or 472.78% from RMB7,628 million in 2008.

- Newly signed contract value amounted to RMB218,850 million, representing an increase of 8.51% from 2008, including USD3,620 million of newly-signed overseas contracts.

(2) Revenue from Principal Business Segments

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

- Engineering and construction business

  Segment revenue amounted to RMB136,602 million, representing an increase of RMB8,561 million or 6.69% from RMB128,041 million in 2008.

- Equipment manufacturing business

  Segment revenue amounted to RMB9,089 million, representing a decrease of RMB6,560 million or 41.92% from RMB15,649 million in 2008.

- Resources development business

  Segment revenue amounted to RMB7,644 million, representing a decrease of RMB1,894 million or 19.86% from RMB9,538 million in 2008.

- Property development business

  Segment revenue amounted to RMB9,438 million, representing an increase of RMB5,239 million or 124.77% from RMB4,199 million in 2008.

- Other businesses

  Segment revenue amounted to RMB3,904 million, representing an increase of RMB1,504 million or 62.67% from RMB2,400 million in 2008.

IV. PROSPECTS

The Group will actively seize development opportunities arising from the steady and rapid growth of the domestic economy and the PRC government's initiative to call on enterprises to "go global", fully optimize its own advantages, further enhance the core competitive edges and quality on all fronts, and strive to turn the Group into a top tier conglomerate that boasts competitive edges over its global fellow players.

(1) Engineering and Construction Business

The Group will further cement and bolster its leading position in the metallurgical engineering and construction market, strengthen its leading role in the process of product structure adjustment of China's iron and steel industry and industry structure adjustment, actively develop new non-metallurgical engineering and construction market, expand its market share in the areas of building construction engineering, transportation infrastructure engineering and environmental protection engineering, and fully optimize its operating structure, expand its scale, reduce its operating risks and continue to sustain its development. Besides, the Group will step up the expansion of its overseas operations by leveraging its own advantages and strive to expand the scale of its overseas operations. It will focus on developing the markets in Asia, Africa and Latin America, and actively tap the markets in Europe, North America and Oceania.

As regards its operations, the Group will continue to stick to and further develop its EPC operating mode with design being put in the first place, make great efforts in technology innovation, strive to enhance proprietary core technology standards, endeavor to develop specialized technologies, strengthen its market leading capability, and further prop up its core competitive edges. In addition, the Group will introduce capital operations, enhance the fund-raising capability of its engineering and construction projects, and develop various forms of engineering and construction business, including those in the form of financings, packages comprising design, procurement and construction, and packages comprising design, procurement and project management.

(2) Resources Development Business

Leveraging on its own competitive edges, the Group will adhere to its business positioning of "focusing on metallic mineral products, resources that are scarce in China and resources development overseas" and put great efforts in developing iron ore resources, non-ferrous metal mineral resources and non-metal resources through different modes of development and cooperation in light of specific situations in different areas.

The Group will optimize its asset allocation among existing resource enterprises to form a specialized resource development system; building on existing resource development regions, the Group will expand its businesses into the surrounding areas to form regional resource development bases. The Group will also seek chances to merge, acquire and reorganize resource enterprises specializing in surveying, mining, scientific research, design and production, in order to rapidly enhance its resources development capabilities and business scale, as well as perfect its production chain. Besides, it will continue to step up its partnerships with leading domestic enterprises for joint development projects and reduce operating and investment risks by leveraging each party's respective strengths, establish and maintain friendly relationships with relevant governments and mine owners that are rich in resources and cooperate with them based on mutually beneficial principles and with good faith, for the sake of forming a stable resources development base and supply channels, strengthen the construction of its resources distribution network and conduct extensive studies on domestic and overseas market demand to ensure stable sales channels.

(3) Equipment Manufacturing Business

Boasting the technical advantages that combine technical design and equipment design, the Group will endeavor to develop proprietary equipment manufacturing, equipment integration and relevant spare parts manufacturing capabilities, continue to step up its contribution to technological research and development, optimize the functions of the Group's existing technology research and development centers, actively set up its research and development base and pilot test base, enhance the swift transformation and industrialization of the Group's technologies and product development capacity, enhance its capability to develop and innovate technologies whilst stepping up its international cooperation and the introduction and application of advanced technologies, so as to bolster the technology standards and added value of the Group's products, endeavor to establish partnerships with enterprises that boast sound fundamental hardware or are equipped with core technologies and products by various means, including establishing joint ventures, mergers and acquisitions, reorganizations and collaborations, with a view to stepping up the Group's capability to manufacture proprietary equipment, further promote the development from traditional marketing and production modes to the provision of one-stop services, covering research and development, design, installation and fine-tuning, and the provision of after-sale services. In addition, the Group will increase the contribution to areas such as the studies over steel structures, and maintain its leading position in China's steel structure industry through technology innovation and technique innovation, and materialize the transformation from sizable production of low value-added steel structure products to quality production of high value-added products, as well as the transformation from traditional metallurgical and construction steel structure products to steel structure products for diversified industries.

(4) Property Development Business

The Group will continue to optimize its advantages in areas of design, construction, procurement and capital deployment, ensure the quality of property development, prop up the competitiveness of all sections of the value chain of property development, and bolster the market competitiveness of its property development operations on all fronts. Besides, the Group will adhere to the standardization of capital operations, the adoption of a hierarchical market system and the diversification of its consumer groups, strive to enhance the development and operation standards of property development, and promote the risk-averse capability of property development. Besides, the Group will actively promote the development of social welfare housing, and selectively tap the primary land development market in an innovative manner, duly expand its overseas property development operations in due course, continue to adhere to the strategy of unification of operating brands and optimization of regional layout, in the hope of becoming one of the top-tier property developers in the PRC.

Other strategic measures:

1. Implementation of Internationalization Strategy

The Group will further coordinate its expansion in both the domestic and international markets, significantly expand the scale of its overseas operations and promote the internationalization of its operation philosophy, markets, talents, technologies and capital in a view to gradually increasing the share of its international operations and steadily strengthening its international corporate management capability, further optimize and continuously nurture its "5+2" advantages, namely the five areas of internal strengths (technology, management, talents, financings and markets) and two external advantages (national support and the high recognition of respective countries of our projects), enhance the competitiveness in the international market, continue to leverage on its advantages in terms of engineering and technology, engineering management, equipment installation and specialized production, and actively take part in the unification of brand operations, the construction of overseas market network, the preliminary market development, and the implementation of engineering and construction projects. The Group will also strengthen its capability to take part in non-metallurgical engineering and construction projects, its fund-raising ability, its comprehensive functions as well as technology and labour force, attach great importance to research and formulate customized overseas strategy, focus on nurturing key technologies, branded products and talents for overseas operations and strengthen its connections with business partners and intermediaries.

2. Enhancement of Management Standards

The Group will continue to prop up its management and control capability, achieve its goals of retaining and increasing the value of its assets and securing sustainable development through various measures, including asset management, due selection of operators and assessment of operating results, key decision-makings, market guidance and coordination, development and planning of principal operations, uniform capital operations and control over operating risks. Besides, the Group will continue to optimize its management system, further strengthen and perfect its parent-subsidiary corporate structure with capital as the tie, establish a sound management system with strategic management as the core, feasibly optimize the management function of the Parent and the operating functions of subsidiaries, gradually perfect the management over business segments, manage, coordinate and supervise the technology development, production (commencement of construction) and sales of relevant products from subsidiaries under different business segments through the industry management centre of each of the principal business segments, so as to develop a matrix form of organizational structure that features enhanced management over business segments and to achieve synergy effect among different business segments.

3. Promotion of Technology Innovation

Adhering to a market-oriented approach, the Group will integrate its production and operations with its mid- and long-term development plans to fully optimize technology as the first productive force and achieve innovative development, and to nurture and create a team of experts specializing in scientific research and development that are in a par with international standards, adhere to the research and development of technological products in light of demands from markets and customers, highlight the key areas and focus its labour force and capital into these areas, in order to strive for breakthroughs in crucial technologies used in key areas of principal business segments, and enhance the overall technology standards of the Group. In addition, the Group will fine-tune its multi-subject and multi-layered technology research and development system and operating system with technology centers as the skeleton and technology power of each unit as the foundation, further strengthen the internal construction of technology sub-centers and research and development base, shorten its research and development cycle, complete the transformation of its achievements, gradually nourish the capability in research and innovation through imitation and collaborative innovation projects, enhance the digestion, absorption and domesticization of imported technologies, insist on the integration of recent and long term initiatives in the planning of research and development, grasp core technologies and highlight comprehensive, strategic and forward-looking research and development. Fundamental research and development will set foot in the Group's business, while mainstream technologies that aim at becoming the first-rate technologies in the world, serve as a driving force of relevant industries and a symbol of the latest development trend will be the key areas of development. Moreover, the Group will observe the requirements for sustainable development and pay attention to the protection of ecological environment and conservation of resources.

4. *Stressing on Talent Cultivation*

The Group will stick to its approach of "valuing talents and respecting talents. Under the principal of general refinement and hierarchical management, the Group will endeavor to nurture its operation and management teams, professional and technical staff and position-specific talents. Besides, the Group will deploy, import, nurture and retain talents based on market mechanisms and international labour standards, in a bid to create a customized expert team. It will also develop an expert-based system and cultivate technology talents who are equipped with higher standards of expertise required in the development of the Group into an enterprise that features innovative technologies.

5. *Strengthen the Development of Corporate Culture*

The Group will foster the construction of corporate systems to gradually achieve the institutionalization, standardization and systemization of corporate culture development. The Group will also step up trainings on corporate culture, establish a sound and uniform branding system under the brand name "MCC", put great efforts in promoting information technology development construction, create a highly effective cultural dissemination platform and continue to fully perform its social responsibilities.

V. MANAGEMENT DISCUSSION AND ANALYSIS

(1) Overview

For the year ended 31 December 2009, the Group's revenue amounted to RMB165,018 million, representing an increase of 4.52% over the same period last year. Profit attributable to equity holders of the Company amounted to RMB4,465 million, representing an increase of 41.75% as compared with the same period last year. Earnings per share for 2009 was RMB0.30.

The following is the financial results for the year ended 31 December 2009 compared to the year ended 31 December 2008.

(2) Consolidated Operating Results

1. Revenue

The Group is mainly engaged in engineering and construction, equipment manufacturing, resources development, property development and other businesses. In 2009, the revenue of the Group amounted to RMB165,018 million, representing an increase of RMB7,131 million or 4.52% as compared with RMB157,887 million in 2008. The increase is mainly attributable to the increases in the segment revenue of our engineering and construction, property development and other business segments, which increased by RMB8,561 million or 6.69%, RMB5,239 million or 124.77%, and RMB1,504 million or 62.67%, respectively (all before inter-segment elimination), partially offset by decreases in revenues of our equipment manufacturing and resources development business, which decreased by RMB6,560 million or 41.92%, and RMB1,894 million or 19.86%, respectively.

2. *Cost of sales and gross profit*

The Group's cost of sales primarily includes material cost (raw materials, products and work-in-progress consumed, purchased equipment and consumables used), subcontracting charges, employee benefits and other costs. In 2009, cost of sales of the Group amounted to RMB149,117 million, representing an increase of RMB3,522 million or 2.42% as compared with RMB145,595 million in 2008. The increase is mainly attributable to our general business growth.

In 2009, gross profit of the Group amounted to RMB15,901 million, representing an increase of RMB3,609 million or 29.36% as compared with RMB12,292 million in 2008. Gross profit margin was 9.64% for 2009, 1.85% higher than 7.79% for 2008.

In 2009, the Group's engineering and construction, resources development, property development and other business respectively recorded gross profit of RMB12,357 million, RMB975 million, RMB1,432 million and RMB464 million (all before inter-segment elimination), representing an increase of 23.25%, 72.57%, 185.83% and 134.34% respectively as compared with 2008 while the equipment manufacturing business recorded gross profit of RMB842 million, representing a decrease of 25.49% from 2008.

3. *Operating profit*

In 2009, operating profit of the Group amounted to RMB8,600 million, representing an increase of RMB2,298 million or 36.46% as compared with RMB6,302 million in 2008. The increase is mainly attributable to profit growth in all segments except for the equipment manufacturing segment whose profit decreased by RMB353 million or 62.81% from 2008. Segment result of engineering and construction, resources development, property development and other businesses before inter-segment elimination increased by RMB1,488 million or 27.19%, RMB161 million or 67.08%, RMB782 million or 296.21% and RMB271 million or 1,594.12% respectively as compared with 2008.

4. *Finance income*

The Group's finance income consisted mainly of interest income on bank deposits, interest income on held-to-maturity financial assets, interest income on loans to related parties, income on advances for the third parties and gain on debt restructuring. Finance income of the Group for 2009 amounted to RMB712 million, representing an increase of RMB164 million or 29.93% as compared with RMB548 million for 2008, mainly attributable to the increase in total deposits as a result of proceeds raised from the successful listing by the Company in both domestic and overseas capital markets, and increase in advances for the third parties by the Group.

5. *Finance costs*

The Group's finance costs consisted mainly of interest expenses on bank borrowings and bank borrowings from other financial institutions, net foreign exchange losses/(gains) on borrowings, and discount charges on bank acceptance notes, less amounts capitalized in construction in progress and amounts capitalized in properties under development. Finance costs of the Group decreased by RMB390 million or 12.98% from RMB3,005 million for 2008 to RMB2,615 million for 2009, mainly attributable to the increase of RMB781 million in amounts capitalized in construction in progress and amounts capitalized in properties under development over 2008, which offset the interest expenses of RMB601 million arising from additional borrowings. Meanwhile, discount charges on bank acceptance notes decreased by RMB206 million from 2008.

6. *Share of profits of associates*

The Group's share of profits of associates is the profits attributable to the Group from its associates, net of the losses attributable to the Group from its associates, pursuant to its equity interests in such associates. The Group's share of profits of associates decreased by RMB35 million or 29.17% from RMB120 million for 2008 to RMB85 million for 2009.

7. *Profit before income tax*

As a result of the foregoing, the Group's profit before income tax increased by RMB2,817 million or 71.05% from RMB3,965 million for 2008 to RMB6,782 million for 2009.

8. Income tax expense

The Group's income tax expense increased by RMB704 million or 83.81% from RMB840 million for 2008 to RMB1,544 million for 2009. The Group's effective tax rate was 22.77% for 2009, a slightly increase from 21.19% for 2008.

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

Profit/(loss) attributable to non-controlling interests represent the interests of outside shareholders in the results of operations of our non-wholly owned subsidiaries. The profit attributable to non-controlling interests for 2009 amounted to RMB773 million, as compared with loss attributable to non-controlling interests of RMB25 million for 2008.

10. Profit attributable to equity holders of the Company

Based on the above, the profit attributable to equity holders of the Company increased by RMB1,315 million or 41.75% from RMB3,150 million for 2008 to RMB4,465 million for 2009.

Margin of profit attributable to equity holders of the Company increased from 2.00% for 2008 to 2.71% for 2009.

(3) Discussion of Results by Segment

The following table sets forth the Group's revenue, gross profit and segment result for the years ended 31 December 2009 and 2008.

	Segment revenue		Gross profit		Gross profit margin		Segment result[1]		Segment result margin[2]	
	For the year ended 31 December		For the year ended 31 December		For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	%	%	*(RMB million)*	*(RMB million)*	%	%
Engineering and construction	136,602	128,041	12,357	10,026	9.05%	7.83%	6,960	5,472	5.10%	4.27%
% of the total	81.96%	80.11%	76.89%	80.72%			78.17%	83.48%		
Equipment manufacturing	9,089	15,649	842	1,130	9.26%	7.22%	209	562	2.30%	3.59%
% of the total	5.45%	9.79%	5.24%	9.10%			2.35%	8.57%		
Resources development	7,644	9,538	975	565	12.76%	5.92%	401	240	5.25%	2.52%
% of the total	4.59%	5.97%	6.07%	4.55%			4.50%	3.66%		
Property development	9,438	4,199	1,432	501	15.17%	11.93%	1,046	264	11.08%	6.29%
% of the total	5.66%	2.63%	8.91%	4.03%			11.75%	4.03%		
Other business	3,904	2,400	464	198	11.89%	8.25%	288	17	7.38%	0.71%
% of the total	2.34%	1.50%	2.89%	1.60%			3.23%	0.26%		
Subtotal	166,677	159,827	16,070	12,420	9.64%	7.77%	8,904	6,555	5.34%	4.10%
Inter-segment elimination	(1,659)	(1,940)	(169)	(128)			(169)	(128)		
Total	165,018	157,887	15,901	12,292	9.64%	7.79%	8,735	6,427	5.29%	4.07%

(1) Total of segment result less the unallocated cost equals to our total operating profit.

(2) Segment result margin represents segment result as a percentage of segment revenue.

1. Engineering and construction

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

The following table sets forth the principal result information for engineering and construction business for the years ended 31 December 2009 and 2008.

	For the year ended 31 December	
	2009	2008
	(RMB million)	*(RMB million)*
Segment revenue	**136,602**	128,041
Cost of sales	**(124,245)**	(118,015)
Gross profit	**12,357**	10,026
Selling and marketing expenses	**(551)**	(512)
Administrative expenses	**(5,397)**	(5,014)
Other income and gains/(expenses)	**551**	972
Segment result	**6,960**	5,472
Depreciation and amortisation	**947**	992

Segment revenue. Segment revenue from engineering and construction increased by RMB8,561 million or 6.69% from RMB128,041 million for 2008 to RMB136,602 million for 2009. The increase is mainly attributable to the settlement of the revenue of previous metallurgical projects and acceptance and execution of non-metallurgical projects.

Cost of sales and gross profit. Cost of sales of engineering and construction business increased by RMB6,230 million or 5.28% from RMB118,015 million for 2008 to RMB124,245 million for 2009. Percentage of cost of sales against segment revenue decreased to 90.95% for 2009 from 92.17% for 2008.

Gross profit generated from the engineering and construction business increased by RMB2,331 million or 23.25% from RMB10,026 million for 2008 to RMB12,357 million for 2009. Gross profit margin of engineering and construction business increased to 9.05% for 2009 from 7.83% for 2008. The increase is mainly attributable to the significant drop in average price of raw materials throughout 2009 as compared with 2008, which lowered construction cost. In addition, the municipal construction, infrastructure and other non-metallurgical projects contributed more revenue and higher gross profit margin. Meanwhile, the Group continues put more efforts in cost control in operation, thus saving the raw materials and labour costs.

Selling and marketing expenses. Selling and marketing expenses incurred from the engineering and construction business increased by RMB39 million or 7.62% from RMB512 million for 2008 to RMB551 million for 2009.

Administrative expenses. Administrative expenses incurred from the engineering and construction business increased by RMB383 million or 7.64% from RMB5,014 million for 2008 to RMB5,397 million for 2009.

Other income and gains/(expenses). Other income and gains/(expenses) for the engineering and construction business decreased by RMB421 million or 43.31% from RMB972 million for 2008 to RMB551 million for 2009.

Segment result. Segment result of the engineering and construction business increased by RMB1,488 million or 27.19% from RMB5,472 million for 2008 to RMB6,960 million for 2009.

2. Equipment manufacturing

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

The following table sets forth the principal result information for the equipment manufacturing business for the years ended 31 December 2009 and 2008.

	For the year ended 31 December	
	2009	2008
	(RMB million)	*(RMB million)*
Segment revenue	**9,089**	15,649
Cost of sales	**(8,247)**	(14,519)
Gross profit	**842**	1,130
Selling and marketing expenses	**(172)**	(151)
Administrative expenses	**(606)**	(511)
Other income and gains/(expenses)	**145**	94
Segment result	**209**	562
Depreciation and amortisation	**223**	395

Segment revenue. Segment revenue from the equipment manufacturing business decreased by RMB6,560 million or 41.92% from RMB15,649 million for 2008 to RMB9,089 million for 2009. The decrease is mainly attributable to the exclusion of the financial results of MCC Hengtong Cold Rolling Technology Co., Ltd. from the consolidated results of the Group since 1 December 2008 pursuant to the Parent Reorganization, whose financial results have been included into the China Metallurgical Group Corporation, the Parent. Meanwhile, the global financial crisis also posed negative impact on the price and selling volume of the equipment manufacturing business.

Cost of sales and gross profit. Cost of sales incurred from the equipment manufacturing business decreased by RMB6,272 million or 43.20% from RMB14,519 million for 2008 to RMB8,247 million for 2009. Percentage of cost of sales against segment revenue decreased to 90.74% for 2009 from 92.78% for 2008.

Gross profit of the equipment manufacturing business decreased by RMB288 million or 25.49% from RMB1,130 million for 2008 to RMB842 million for 2009. Gross profit margin of the equipment manufacturing business increased to 9.26% in 2009 from 7.22% for 2008. The increase is mainly attributable to the exclusion of the financial results of MCC Hengtong Cold Rolling Technology Co., Ltd. since 1 December 2008. In 2008, MCC Hengtong Cold Rolling Technology Co., Ltd. contributed significantly to the segment revenue of the equipment manufacturing business of the Group. However, due to the steel price drop caused by the financial crisis, MCC Hengtong Cold Rolling Technology Co., Ltd. recorded negative gross profit and gross margin, thus lowering the overall gross profit and gross margin of the segment for 2008.

Selling and marketing expenses. Selling and marketing expenses incurred from the equipment manufacturing business increased by RMB21 million or 13.91% from RMB151 million for 2008 to RMB172 million for 2009.

Administrative expenses. Administrative expenses incurred from the equipment manufacturing business increased by RMB95 million or 18.59% from RMB511 million for 2008 to RMB606 million for 2009.

Other income and gains/(expenses). Other income and gains/(expenses) of the equipment manufacturing businessd <u>increased</u> by RMB51 million or 54.26% from RMB94 million for 2008 to RMB145 million for 2009.

Segment result. Segment result of the equipment manufacturing business decreased by RMB353 million or 62.81% from RMB562 million for 2008 to RMB209 million for 2009.

3. Resources development

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

The following table sets forth the principal result information of resources development business as at the year ended 31 December 2009 and 2008.

	For the Year Ended 31 December	
	2009	2008
	(RMB million)	*(RMB million)*
Segment revenue	**7,644**	9,538
Cost of sales	**(6,669)**	(8,973)
Gross profit	**975**	565
Selling and marketing expenses	**(98)**	(111)
Administrative expenses	**(644)**	(600)
Other income and gains/(expenses)	**168**	386
Segment result	**401**	240
Depreciation and amortisation	**525**	359

Segment revenue. Segment revenue of resources development business decreased by RMB1,894 million or 19.86% from RMB9,538 million for 2008 to RMB7,644 million for 2009. The decrease is mainly attributable to the lower prices of our major products polysilicon and lower output of our subsidiary MCC Huludao Nonferrous Metals Group Co., Ltd. as a result of its adjustment of product structure.

Cost of sales and gross profit. Cost of sales incurred from resources development business decreased by RMB2,304 million or 25.68% from RMB8,973 million for 2008 to RMB6,669 million for 2009. Percentage of the cost of sales in revenue from the segment decreased from 94.08% for 2008 to 87.24% for 2009.

Gross profit of resources development business increased by RMB410 million or 72.57% from RMB565 million for 2008 to RMB975 million for 2009. Gross profit margin of the resources development business increased from 5.92% for 2008 to 12.76% for 2009. The increase is mainly attributable to the significant decrease in losses for 2009 of MCC Huludao Nonferrous Metals Group Co., Ltd. as a result of improved management and recovered products' price, which increased the gross profit of the Group in general.

Selling and marketing expenses. Selling and marketing expenses incurred from resources development business decreased by RMB13 million or 11.71% from RMB111 million for 2008 to RMB98 million for 2009.

Administrative expenses. Administrative expenses incurred from the resources development business increased by RMB44 million or 7.33% from RMB600 million for 2008 to RMB644 million for 2009.

Other income and gains/(expenses). Other income and gains/(expenses) of the resources development business decreased by RMB218 million or 56.48% from RMB386 million for 2008 to RMB168 million for 2009.

Segment result. Segment result of the resources development business increased by RMB161 million or 67.08% from RMB240 million for 2008 to RMB401 million for 2009.

4. Property development business

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

The following table sets forth the principal result information for property development business as at the year ended 31 December 2009 and 2008.

	For the Year Ended 31 December	
	2009	2008
	(RMB million)	*(RMB million)*
Segment revenue	**9,438**	4,199
Cost of sales	**(8,006)**	(3,698)
Gross profit	**1,432**	501
Selling and marketing expenses	**(143)**	(90)
Administrative expenses	**(226)**	(185)
Other income and gains/(expenses)	**(17)**	38
Segment result	**1,046**	264
Depreciation and amortisation	**30**	30

Segment revenue. Segment revenue of property development business increased by RMB5,239 million or 124.77% from RMB4,199 million for 2008 to RMB9,438 million for 2009. The increase is mainly attributable to the sales and recognition of segment revenue of various projects, including commodity properties, primary land development and social welfare housing projects in 2009. In addition, continuing rise in sales prices of properties in 2009 also contributed to the revenue growth of the Group's property development segment.

Cost of sales and gross profit. Cost of sales incurred from the property development business increased by RMB4,308 million or 116.50% from RMB3,698 million for 2008 to RMB8,006 million for 2009. Percentage of the cost of sales against segment revenue decreased from 88.07% for 2008 to 84.83% for 2009.

Gross profit of the property development business increased by RMB931 million or 185.83% from RMB501 million for 2008 to RMB1,432 million for 2009. Gross profit margin of the property development business increased from 11.93% for 2008 to 15.17% for 2009, mainly attributable to more revenue contribution from projects with higher gross profit in 2009.

Selling and marketing expenses. Selling and marketing expenses incurred from the property development business increased by RMB53 million or 58.89% from RMB90 million for 2008 to RMB143 million for 2009.

Administrative expenses. Administrative expenses incurred from property development business increased by RMB41 million or 22.16% from RMB185 million for 2008 to RMB226 million for 2009.

Other income and gains/(expenses). Other expenses incurred from property development business in 2009 amounted to RMB17 million as compared with other gains of RMB38 million in 2008.

Segment result. Segment result of property development business increased by RMB782 million or 296.21% from RMB264 million for 2008 to RMB1,046 million for 2009.

5. Other businesses

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

The following table sets forth the principal result information for other businesses for the year ended 31 December 2009 and 2008.

	For the Year Ended 31 December	
	2009	2008
	(RMB million)	*(RMB million)*
Segment revenue	**3,904**	2,400
Cost of sales	**(3,440)**	(2,202)
Gross profit	**464**	198
Selling and marketing expenses	**(73)**	(64)
Administrative expenses	**(114)**	(131)
Other income and gains/(expenses)	**11**	14
Segment result	**288**	17
Depreciation and amortisation	**40**	29

Segment revenue. Segment revenue of other businesses increased by RMB1,504 million or 62.67% from RMB2,400 million for 2008 to RMB3,904 million for 2009. Segment revenue of other businesses is mainly generated from the import and export and consultancy services.

Cost of sales and gross profit. Cost of sales incurred from other businesses increased by RMB1,238 million or 56.22% from RMB2,202 million for 2008 to RMB3,440 million for 2009. Percentage of the cost of sales against segment revenue decreased from 91.75% for 2008 to 88.11% for 2009.

Gross profit of other businesses increased by RMB266 million or 134.34% from RMB198 million for 2008 to RMB464 million for 2009. Gross profit margin of other businesses increased from 8.25% for 2008 to 11.89% for 2009.

Selling and marketing exp*enses.* Selling and marketing expenses incurred from other businesses increased by RMB9 million or 14.06% from RMB64 million for 2008 to RMB73 million for 2009.

Administrative expenses. Administrative expenses incurred from other businesses decreased by RMB17 million or 12.98% from RMB131 million for 2008 to RMB114 million for 2009.

Other income and gains/(expenses). Other income and gains/(expenses) of other businesses decreased by RMB3 million or 21.43% from RMB14 million for 2008 to RMB11 million for 2009.

Segment result. Segment result of other businesses increased by RMB271 million or 1,594.12% from RMB17 million for 2008 to RMB288 million for 2009.

(4) Liquidity and Capital Resources

Our 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. Our liquidity requirements involve primarily our working capital needs, purchases of property, plant and equipment, and servicing our loans.

We have historically met our working capital and other liquidity requirements principally from cash generated from operations, while financing the remainder primarily through bank borrowings. The Group issued short-term debentures and debentures with a maturity of ten years from issuance in February 2008 and July 2008 respectively, which together with the proceeds raised from the Company's initial public offerings in domestic and overseas capital markets in September 2009 further supplemented the Company's financial resources. Since its public offerings, the Group has further increased its financing flexibility in the financial markets.

1. Information on cash flow

The following cash flows information is extracted from the consolidated cash flow statement of the Group for the years ended 31 December 2009 and 2008.

	For the Year Ended 31 December	
	2009	2008
	(RMB million)	*(RMB million)*
Net cash (used in)/generated from operating activities	**(6,815)**	5,587
Net cash used in investing activities	**(15,705)**	(16,942)
Net cash generated from financing activities	**41,044**	13,549
Net increase in cash and cash equivalents	**18,524**	2,194
Cash and cash equivalents at the beginning of the year	**26,157**	24,281
Exchange gains/(losses) on cash and cash equivalents	**19**	(318)
Cash and cash equivalents at the end of the year	**44,700**	26,157

2. Cash flows from operating activities

In 2009, the Group's net cash used in operating activities amounted to RMB6,815 million as compared with net cash generated from operating activities of RMB5,587 million in 2008. The decrease of RMB12,402 million in net cash from operating activities is mainly due to the advance payment by the Group's subsidiaries for the construction of projects of roads and bridges, public facilities and social welfare housing in 2009, which are usually BT or BOT projects vigorously carried out by the Group's subsidiaries through cooperation with governments. Therefore, the Group had a large cash outflow, resulting in negative cash flows from operating activities.

3. *Cash flows from investing activities*

In 2009, the Group's net cash used in investing activities amounted to RMB15,705 million, representing a decrease of RMB1,237 million from RMB16,942 million in 2008, mainly due to the decrease in cash payment for the purchase of land use rights and mining rights.

4. *Cash flows from financing activities*

In 2009, the Group's net cash generated from financing activities amounted to RMB41,044 million, representing an increase of RMB27,495 million from RMB13,549 million in 2008, mainly due to the net proceeds of RMB32,089 million raised from its initial public offerings in the domestic and overseas capital market in September 2009.

5. *Capital expenditures*

The Group incurred capital expenditures for resources development and advanced processing, construction of production facilities and the purchase of various equipments. The following table sets forth the capital expenditures by segment of the Group for the years ended 31 December 2009 and 2008.

	For the Year Ended 31 December	
	2009	2008
	(RMB million)	*(RMB million)*
Engineering and construction business	**3,251**	7,496
Equipment manufacturing business	**2,756**	2,877
Resources development business	**5,495**	3,782
Property development business	**238**	725
Other businesses	**59**	70
Total	**11,799**	14,950

The Group's capital expenditures for 2009 amounted to RMB11,799 million, representing a decrease of RMB3,151 million or 21.08% from RMB14,950 million in 2008.

6. *Working capital*

Trade receivables and trade payables.

The following table sets forth the turnover days of the average trade receivables and the turnover days of the average trade payables of the Group for the year ended 31 December 2009 and 2008.

	For the Year Ended 31 December	
	2009	2008
	days	*days*
The turnover days of the average trade receivables [1]	**82**	73
The turnover days of the average trade payables [2]	**111**	100

(1) The average trade receivables is 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 is 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 2009 and 2008.

	As at 31 December	
	2009	2008
	(RMB million)	*(RMB million)*
Less than one year	**32,247**	26,262
One to two years	**5,940**	4,009
Two to three years	**1,927**	1,066
Three to four years	**471**	466
Four to five years	**252**	351
Over five years	**655**	785
Total	**41,492**	32,939

In 2009, there was a significant change in trade receivables with aging of one to two years and two to three years compared with those in 2008, mainly due to the BT or BOT projects for roads and bridges, public facilities and social welfare housing projects vigorously carried out by the Company's subsidiaries through cooperation with governments in 2009, which resulted in a significant increase in trade receivables of the Group as compared with last year.

The following table sets forth the aging analysis of trade payables for the year ended 31 December 2009 and 2008.

	As at 31 December	
	2009	2008
	(RMB million)	*(RMB million)*
Within one year	**39,100**	33,829
One to two years	**7,574**	4,843
Two to three years	**1,818**	1,075
Over three years	**1,250**	911
Total	**49,742**	40,658

7. *Retentions*

The following table sets forth the book value of retentions as at 31 December 2009 and 2008.

	As at 31 December	
	2009	2008
	(RMB million)	*(RMB million)*
Current portion	**831**	—
Non-current portion	**797**	839
Total	**1,628**	839

(5) Indebtedness

1. *Borrowings*

The following table sets forth the Group's total borrowings as of 31 December 2009 and 2008.

	As at 31 December	
	2009	2008
	(RMB million)	*(RMB million)*
Less than one year	**31,601**	38,721
One to two years	**13,918**	7,020
Two to five years	**16,497**	7,048
Wholly repayable within five years	**62,016**	52,789
More than five years	**5,958**	4,650
Total	**67,974**	57,439

The Group's borrowings are principally denominated in RMB and US dollar. The following table sets forth book value of our borrowings denominated in RMB and U.S. dollar as at 31 December 2009 and 2008.

	As at 31 December	
	2009	2008
	(RMB million)	*(RMB million)*
RMB	**65,191**	54,966
US dollar	**2,783**	2,473
Total	**67,974**	57,439

2. Financial Guarantee

The nominal values of the financial guarantees issued by the Group as at 31 December 2009 are analysed as below:

	As at 31 December	
	2009	2008
	RMB million	*RMB million*
Outstanding guarantees *(i)*		
— Third parties	**1,646**	2,534

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

3. Contingencies

	As at 31 December	
	2009	2008
	RMB million	*RMB million*
Pending lawsuits/arbitrations	**462**	188

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision, as set out in Note 28 to the consolidated financial statements, have been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

(6) Market Risks

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

1. Interest Rate Risk

The exposure of the Group to interest rate risk relates principally to the Group's restricted cash, cash and cash equivalents, trade and other receivables and borrowings. Restricted cash, cash and cash equivalents, trade and other receivables and borrowings at variable rates expose the Group to cash flow interest-rate risk, and those at fixed rates expose the Group to fair value interest-rate risk.

As of 31 December 2009, the Group's fixed rate restricted cash was approximately RMB364 million, (2008: RMB208 million); the Group's fixed rate cash and cash equivalents were approximately RMB317 million (2008: RMB486 million); and the Group's fixed rate borrowings were approximately RMB29,964 million (2008: RMB20,904 million).

To mitigate the impact of interest rate fluctuations, we continually to assess and monitor the exposure to interest rate risk and entered into fixed rate borrowings arrangements.

2. Foreign Exchange Risk

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

Our exposure to foreign exchange risk relates principally to its trade and other receivables, cash and cash equivalents, trade and other payables and borrowings that were denominated mainly in U.S. dollar and HK dollar.

To mitigate the impact of exchange rate fluctuations, we continually assess and monitor the exposure to foreign exchange risk. We currently have no foreign exchange hedging policy. However, the management will monitor the exposure to foreign exchange risk and consider hedging the exposure to material foreign exchange risk when necessary.

As of 31 December 2009, if RMB had strengthened by 5% against U.S. dollar and HK dollar (2008: 5%), with all other variables held constant, which was considered reasonably possible by management, the profit after tax for the year ended 31 December 2009 would have been decreased by approximately RMB272 million (2008: RMB250 million higher), mainly as a result of foreign exchange losses/gains on translation of U.S. dollar-denominated and HK dollar-denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

3. Price Risk

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

4. *Credit Risk*

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

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

The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of our customers. Normally the Group does not require collateral from trade debtors. During 2009, no single customer accounted for more than 5% of the Group's total revenue.

5. *Liquidity Risk*

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

VI. CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2009	2008
	Note	***RMB 'million***	*RMB 'million*
			(See note 2.1(d))
ASSETS			
Non-current assets			
Property, plant and equipment		**29,790**	21,488
Land use rights		**6,272**	5,767
Mining rights		**3,668**	3,519
Investment properties		**350**	343
Intangible assets		**5,271**	3,586
Investments in associates		**1,153**	923
Available-for-sale financial assets	11	**1,388**	900
Held-to-maturity financial assets		**250**	46
Deferred income tax assets		**1,934**	1,580
Trade and other receivables	9	**3,288**	1,734
Other non-current assets		**105**	90
		53,469	39,976

VI. CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 31 December 2009 RMB 'million	2008 RMB 'million (See note 2.1(d))
Current assets			
Inventories		**11,502**	11,112
Properties under development		**20,364**	17,402
Completed properties held for sale		**2,545**	367
Trade and other receivables	9	**68,941**	56,706
Amounts due from customers for contract work		**25,150**	16,913
Available-for-sale financial assets	11	**27**	12
Held-to-maturity financial assets		**51**	—
Financial assets at fair value through profit or loss		**301**	2
Restricted cash		**1,223**	2,271
Cash and cash equivalents		**44,700**	26,157
		174,804	130,942
Total assets		**228,273**	170,918
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**19,110**	13,000
Reserves		**17,759**	(11,005)
		36,869	1,995
Non-controlling interests		**6,823**	5,633
Total equity		**43,692**	7,628

VI. CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2009	2008
	Note	***RMB 'million***	*RMB 'million*
			(See note 2.1(d))
LIABILITIES			
Non-current liabilities			
Borrowings		**36,373**	18,718
Deferred income		**407**	431
Retirement and other supplemental benefit obligations		**5,941**	6,225
Provisions for other liabilities and charges		**59**	26
Trade and other payables	10	**6,181**	257
Deferred income tax liabilities		**639**	605
		49,600	26,262
Current liabilities			
Trade and other payables	10	**88,677**	82,325
Dividends payable		**—**	256
Amounts due to customers for contract work		**12,980**	14,030
Current income tax liabilities		**1,058**	791
Borrowings		**31,601**	38,721
Retirement and other supplemental benefit obligations		**665**	905
		134,981	137,028
Total liabilities		**184,581**	163,290
Total equity and liabilities		**228,273**	170,918
Net current assets/(liabilities)		**39,823**	(6,086)
Total assets less current liabilities		**93,292**	33,890

VII. CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2009	2008
	Note	***RMB 'million***	*RMB 'million*
			(See note 2.1(d))
Revenue	3	**165,018**	157,887
Cost of sales	5	**(149,117)**	(145,595)
Gross profit		**15,901**	12,292
Selling and marketing expenses	5	**(1,037)**	(928)
Administrative expenses	5	**(7,122)**	(6,566)
Other income		**955**	1,064
Other gains - net		**38**	525
Other expenses		**(135)**	(85)
Operating profit		**8,600**	6,302
Finance income	4	**712**	548
Finance costs	4	**(2,615)**	(3,005)
Share of profits of associates		**85**	120
Profit before income tax		**6,782**	3,965
Income tax expense	6	**(1,544)**	(840)
Profit for the year		**5,238**	3,125

VII. CONSOLIDATED INCOME STATEMENT (CONTINUED)

	Note	Year ended 31 December 2009 RMB 'million	2008 RMB 'million (See note 2.1(d))
Attributable to:			
Equity holders of the Company		**4,465**	3,150
Non-controlling interests		**773**	(25)
		5,238	3,125
Earnings per share for profit attributable to the equity holders of the Company			
— Basic earnings per share *(RMB)*	8	**0.30**	0.24
— Diluted earnings per share *(RMB)*	8	**0.30**	0.24
Dividends	7	**1,875**	256

VIII. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2009	2008
	Note	***RMB 'million***	*RMB 'million*
			(See note 2.1(d))
Profit for the year		**5,238**	3,125
Other comprehensive income/(expense)			
Fair value gains/(losses) on available-for-sale financial assets, net of tax		**236**	(1,028)
Currency translation differences		**(67)**	(213)
Other comprehensive income/(expense) for the year, net of tax		**169**	(1,241)
Total comprehensive income for the year		**5,407**	1,884
Total comprehensive income attributable to			
Equity holders of the Company		**4,627**	2,110
Non-controlling interests		**780**	(226)
		5,407	1,884

IX. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

IX. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

		Attributable to equity holders of the Company						
	Note	**Share capital** *RMB'million*	**Other reserves** *RMB'million*	**Retained earnings/ (accumulated deficit)** *RMB'million*	**Owner's equity before the Reorganisation** *RMB'million*	**Sub total** *RMB'million*	**Non-controlling interest** *RMB'million*	**Total** *RMB'million*
At 1 December 2008		—	—	—	1,721	1,721	5,640	7,361
Capitalisation and issues of new shares to Parent upon establishment of the Company		12,870	(11,149)	—	(1,721)	—	—	—
Business combination under common control		—	36	(5)	—	31	—	31
Contribution received from Baosteel Group Corporation ("Baosteel")	1.2(f)	130	65	—	—	195	—	195
Profit for the period from 2 December 2008 to 31 December 2008		—	—	256	—	256	12	268
Other comprehensive income:								
Fair value losses on available-for-sale financial assets, net of tax		—	(7)	—	—	(7)	—	(7)
Currency translation differences		—	(10)	—	—	(10)	(2)	(12)
Total comprehensive (expense)/income for the period from 2 December 2008 to 31 December 2008		—	(17)	256	—	239	10	249
Capital contribution		—	57	—	—	57	—	57
Dividends		—	—	(256)	—	(256)	—	(256)
Transaction with non-controlling interests		—	8	—	—	8	(17)	(9)
Appropriations		—	28	(28)	—	—	—	—
At 31 December 2008 (As restated)		13,000	(10,972)	(33)	—	1,995	5,633	7,628

IX. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

	Note	Attributable to equity holders of the Company				Non-controlling interest	Total
		Share capital	**Other reserves**	**Retained earnings/ (accumulated deficit)**	**Sub total**		
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
At 1 January 2009 (As previously reported)		13,000	(11,008)	22	2,014	5,641	7,655
Business combination under common control		—	36	(55)	(19)	(8)	(27)
At 1 January 2009 (As restated)		13,000	(10,972)	(33)	1,995	5,633	7,628
Profit for the year		—	—	4,465	4,465	773	5,238
Other comprehensive income:							
Fair value gains on available-for-sale financial assets, net of tax		—	213	—	213	23	236
Currency translation differences		—	(51)	—	(51)	(16)	(67)
Total comprehensive income for the year		—	162	4,465	4,627	780	5,407
Dividends		—	—	(1,875)	(1,875)	(566)	(2,441)
Transaction with non-controlling interests		—	64	—	64	(237)	(173)
Attributable to set-up/ acquisition of subsidiaries		—	—	—	—	853	853
Investments in subsidiaries transferred to investments in associates		—	—	—	—	(16)	(16)
Issue of new shares		6,110	27,461	—	33,571	—	33,571
Shares issue costs		—	(1,482)	—	(1,482)	—	(1,482)
Additional capital injection from owners and non-controlling interest proportionally		—	—	—	—	376	376
Business combination under common control		—	(31)	—	(31)	—	(31)
Appropriations		—	165	(165)	—	—	—
At 31 December 2009		19,110	15,367	2,392	36,869	6,823	43,692

X. CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
		(See note 2.1(d))
Cash flows from operating activities		
Cash (used in)/generated from operations	**(5,165)**	7,329
Income tax paid	**(1,650)**	(1,742)
Net cash (used in)/generated from operating activities	**(6,815)**	5,587
Cash flows from investing activities		
Purchases of property, plant and equipment	**(9,616)**	(8,092)
Purchases of land use rights	**(738)**	(2,413)
Purchases of mining rights	**(173)**	(3,207)
Purchases of investment properties	**(36)**	(69)
Purchases of intangible assets	**(1,766)**	(1,362)
Purchases of available-for-sale financial assets	**(287)**	(64)
Purchases of held-to-maturity financial assets	**(915)**	(43)
Increase in investment in associates	**(141)**	(262)
Net cash inflow/(outflow) for acquisition of subsidiaries	**46**	(188)
Prepayment for investments	**(2,728)**	—
Amounts received from related parties and third parties	**(161)**	(883)
Proceeds from disposal of property, plant and equipment	**193**	94
Proceeds from disposal of land use rights	**53**	15
Proceeds from disposal of investment properties	**—**	60
Proceeds from disposal of intangible assets	**—**	3
Proceeds from disposal of available-for-sale financial assets	**80**	666
Proceeds from held-to-maturity financial assets upon maturity date	**662**	500
Net cash inflow from disposal of investment in associates	**—**	34
Net cash inflow from liquidation of subsidiaries	**22**	—
Net cash inflow on disposal of subsidiaries	**—**	11
Transaction with non-controlling interests	**(277)**	(1,820)
Dividends received	**77**	78
Net cash used in investing activities	**(15,705)**	(16,942)

X. CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
		(See note 2.1(d))
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**32,089**	—
Proceeds from borrowings	**92,768**	55,607
Repayments of borrowings	**(76,150)**	(37,022)
Contribution received from non-controlling interests	**1,075**	874
Dividends paid	**(5,609)**	(245)
Interest paid	**(4,127)**	(3,287)
Deemed distribution	**—**	(881)
Contribution received from Baosteel	**—**	195
Capital contribution	**—**	57
Changes in restricted cash	**1,048**	(1,749)
Net cash outflow from finance leases	**(50)**	—
Net cash generated from financing activities	**41,044**	13,549
Net increase in cash and cash equivalents	**18,524**	2,194
Cash and cash equivalents at beginning of the year	**26,157**	24,281
Exchange gains/(losses) on cash and cash equivalents	**19**	(318)
Cash and cash equivalents at end of the year	**44,700**	26,157

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

1.1 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. 11 Gao Liang Qiao Xiejie, Haidian District, Beijing.

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

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

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

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

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

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

1.2 Reorganisation

(a) Prior to the incorporation of the Company, the abovementioned principal activities were carried out by China Metallurgical Group Corporation ("Parent", whereas the Chinese name of China Metallurgical Group Corporation was changed on 27 April 2009 with English name remains unchanged) and its subsidiaries (collectively, the "Parent Group"), which is operating under the supervision and regulation of the State-owned Assets Supervision and Administrative Commission ("SASAC") of the State Council (the "State Council") of the PRC.

(b) A group reorganisation of Parent (the "Reorganisation") in 2008 was approved by SASAC.

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

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

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

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

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

(f) In addition, Baosteel Group Corporation ("Baosteel"), a state-owned enterprise subscribed for 130 million ordinary shares of RMB1.00 per share representing 1% of the then entire registered share capital of the Company for a cash consideration of RMB194,463,000.

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

2. Basis of presentation and preparation

2.1 Basis of presentation

(a) The Company, Parent and Baosteel are all state-owned enterprises controlled and owned by SASAC. Accordingly, the Reorganisation has been accounted for as a reorganisation of business under common control transaction in a manner similar to a uniting of interests. The consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended 31 December 2008 have been presented as if the current group structure had been in existence throughout the year ended 31 December 2008 and as if the Retained Operations as described in Note 1.2(e)(ii) were transferred to the Company by Parent since 1 January 2008 or since the date when the combining entities first came under the control of SASAC, whichever it is a shorter period.

(b) The consolidated financial statements for the year ended 31 December 2008 have not included the assets, liabilities and results of the operations that were unrelated to the Core Operations and were not transferred to the Company pursuant to the Reorganisation as described in Note 1.2(e)(i) above, on the basis that these companies are engaged in dissimilar businesses from those of the Group, have separate management personnel and accounting records and have been financed and operated historically as if they were autonomous.

(c) The consolidated financial statements for the year ended 31 December 2008 however include the assets, liabilities and results of the operations of the Retained Operations that were historically associated with the Core Operations as described in Note 1.2(e)(ii) because they could not be clearly distinguished from the Core Operations and were historically under common management and control. Although the aforementioned Retained Operations were not transferred to the Company, the Directors consider that the historical financial statements should reflect all of the Group's core costs of doing businesses that had been part of the Group's businesses and operations.

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

The assets, liabilities and operating results of these Retained Operations that were included in the consolidated financial statements for the year ended 31 December 2008 are summarised as follow:

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Non-current assets	**—**	—
Current assets	**—**	—
Non-current liabilities	**—**	—
Current liabilities	**—**	—
Net assets	**—**	—

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Revenue	**—**	4,708
Loss for the year	**—**	(742)

(d) In December 2009, the Group acquired from the Parent Group the entire equity interests in Shenyang MCC Jingcheng Real Estate Co., Ltd. ("Shenyang Real Estate") for a consideration of RMB31 million.

Shenyang Real Estate and the Company are controlled and owned by the Parent. Accordingly, the aforesaid transaction is regarded as business combination under common control. These consolidated financial statements incorporated the acquired entity's results as if both the acquired entity and Company had always been combined.

As the Company was established in the PRC on 1 December 2008 upon the Reorganisation, the management considered that it would be more meaningful to present this business combination transaction in the owner's equity upon the incorporation of the company on 1 December 2008.

2.2 Basis of preparation

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

The preparation of these consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amended standards and interpretation adopted by the Group

The Group has adopted the following amended IFRSs and interpretation as of 1 January 2009:

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements (a consolidated income statement and a consolidated statement of comprehensive income);

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply the IAS 23 (Amendment) from 1 January 2009. Since the Group has chosen to capitalise borrowing costs relating to qualifying assets, the amendment does not have any impact on the Group's financial statements;

- IFRS 7 (Amendment), "Improving disclosures about financial instruments", (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The Group has complied with the disclosure requirements and as such, the amendment does not have any impact on the Group's financial statements; and

- IFRIC - Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009) clarifies whether IAS 18, 'Revenue' or IAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. Since all construction contracts in the Group meet the criteria to be accounted for under IAS 11, the interpretation does not have any impact on the Group's financial statements.

(b) *Amended standard that is not yet effective and has not been early adopted by the Group*

The following amended standard has been published and is mandatory for the Group's accounting periods beginning on or after 1 January 2010, but the Group has not early adopted it:

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and the Company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or the Company's financial statements.

3. 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: engineering and construction, equipment manufacturing, resources development, and property development.

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

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

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

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

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

	Engineering and construction	**Equipment manufacturing**	**Resources development**	**Property development**	**Others**	**Elimination**	**Total**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Segment revenue	136,602	9,089	7,644	9,438	3,904	(1,659)	165,018
Inter-segment revenue	(810)	(30)	(25)	—	(794)	1,659	—
Revenue	135,792	9,059	7,619	9,438	3,110	—	165,018
Segment result	6,960	209	401	1,046	288	(169)	8,735
Unallocated costs							(135)
Operating profit							8,600
Finance income							712
Finance costs							(2,615)
Share of profit of associates	67	26	3	(11)	—	—	85
Profit before income tax							6,782
Income tax expense							(1,544)
Profit for the year							5,238

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

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Segment revenue	128,041	15,649	9,538	4,199	2,400	(1,940)	157,887
Inter-segment revenue	(1,277)	(265)	(260)	—	(138)	1,940	—
Revenue	126,764	15,384	9,278	4,199	2,262	—	157,887
Segment result	5,472	562	240	264	17	(128)	6,427
Unallocated costs							(125)
Operating profit							6,302
Finance income							548
Finance costs							(3,005)
Share of profit of associates	115	—	—	5	—	—	120
Profit before income tax							3,965
Income tax expense							(840)
Profit for the year							3,125

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

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Construction contracts	**135,792**	126,764
Sales of goods	**26,116**	28,861
Others	**3,110**	2,262
	165,018	157,887

4. Finance income and costs

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Interest expense		
— Bank borrowings wholly repayable within 5 years	**3,142**	2,517
— Bank borrowings repayable over 5 years	**248**	275
— Other borrowings	**550**	547
	3,940	3,339
Less: Amounts capitalised in construction-in-progress *(a)*	**(375)**	(116)
Less: Amounts capitalised in properties under development *(b)*	**(1,023)**	(501)
	2,542	2,722
Net foreign exchange gains on borrowings	**(8)**	(4)
Discount charges on bank acceptance notes	**81**	287
Finance costs	**2,615**	3,005
Interest income on bank deposits	**(449)**	(391)
Interest income on held-to-maturity financial assets	**(3)**	(4)
Interest income on loans to related parties	**(74)**	(65)
Others	**(186)**	(88)
Finance income	**(712)**	(548)
Finance costs, net	**1,903**	2,457

(a) Interest expenses were capitalised as construction-in-progress at the rate of 5.07% (2008: 6.90%) per annum for the year ended 31 December 2009.

(b) Interest expenses were capitalised as properties under development at the rate of 6.51% (2008: 7.28%) per annum for the year ended 31 December 2009.

5. Expenses by nature

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Raw materials, purchased equipment and consumables used	**61,847**	72,642
Changes in inventories of finished goods and work-in-progress	**(4,996)**	(6,861)
Subcontracting charges	**70,595**	59,180
Employee benefits	**10,796**	9,875
Depreciation of property, plant and equipment	**1,553**	1,602
Fuel and heating expenditure	**460**	493
Business tax and other transaction taxes	**4,114**	3,872
Travelling expenses	**1,128**	1,046
Office expenses	**1,516**	1,494
Transportation costs	**581**	608
Operating lease rentals	**4,213**	3,614
Provision for impairment of trade and other receivables	**778**	407
Research and development costs	**1,450**	1,021
Repairs and maintenance	**834**	815
Advertising expenditure	**193**	121
(Reversal of foreseeable losses)/foreseeable losses on construction contracts	**(58)**	93
Amortisation of land use rights	**144**	142
Amortisation of mining rights	**6**	6
Depreciation of investment property	**21**	28
Amortisation of intangible assets	**41**	27
Insurance expenditure	**80**	77

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
(Reversal of)/provision for impairment on inventories	**(14)**	644
Professional and technical consulting fees	**514**	633
Auditors' remuneration	**55**	45
Bank charges relating to operating activities	**166**	242
Others	**1,259**	1,223
Total cost of sales, selling and marketing expenses and administrative expenses	**157,276**	153,089

6. 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	
	2009	2008
	RMB 'million	*RMB 'million*
Current income tax:		
— PRC enterprise income tax	**1,768**	1,467
— Overseas taxation	**7**	4
	1,775	1,471
Deferred income tax	**(369)**	(667)
	1,406	804
PRC land appreciation tax *(d)*	**138**	36
	1,544	840

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	
	2009	2008
	RMB 'million	*RMB 'million*
Profit before income tax	**6,782**	3,965
Tax calculated at the statutory tax rate of 25%	**1,696**	991
Effect of difference between applicable tax rate and statutory tax rate to Group companies	**(484)**	(374)
Tax losses for which no deferred income tax asset was recognised	**317**	408
Income not subject to taxation	**(54)**	(52)
Expense not deductible for tax purpose	**270**	99
Additional tax relief	**(107)**	(101)
Utilisation of previously unrecognised tax losses and other deferred tax assets	**(192)**	(20)
Deferred tax changes resulted from statutory tax rate changes	**(10)**	(21)
Tax benefit related to restatement of the tax base of assets	**—**	(118)
Effect of higher tax rate for the appreciation of land in the PRC	**104**	27
Others	**4**	1
Income tax expense	**1,544**	840

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

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

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

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

(d) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

7. Dividends

The dividend declared to Parent and Baosteel by the Company for the year ended 31 December 2009 is RMB1,875 million (2008: RMB256 million). No dividend has been proposed from 1 July 2009 to the date of issuance of these financial statements.

8. Earnings per share

(a) Basic

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

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Profit attributable to equity holders of the Company	**4,465**	3,150
Weighted average number of ordinary shares in issue *(million)*	**14,669**	12,881
Basic earnings per share *(RMB)*	**0.30**	0.24

(b) Diluted

As the Company had no dilutive ordinary shares for the year, diluted earnings per share for the year is the same as basic earnings per share.

9. Trade and other receivables

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Trade receivables		
Trade receivables	**32,307**	26,895
Retentions	**1,628**	839
Notes receivables	**7,557**	5,205
	41,492	32,939
Less: Provision for impairment	**(2,807)**	(2,199)
Trade receivables - net	**38,685**	30,740
Other receivables		
Prepayments to suppliers	**19,584**	21,393
Deposits	**7,284**	3,439
Amounts due from related parties and third parties	**3,575**	2,512
Staff advances	**579**	367
Prepayment for investments	**2,728**	—
Others	**524**	555
	34,274	28,266
Less: Provision for impairment	**(730)**	(566)
Other receivables - net	**33,544**	27,700
Total trade and other receivables	**72,229**	58,440
Less: Non-current portion		
— Trade and other receivables	**(2,491)**	(895)
— Retentions	**(797)**	(839)
	(3,288)	(1,734)
Current portion	**68,941**	56,706

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

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Less than 1 year	**32,247**	26,262
1 year to 2 years	**5,940**	4,009
2 years to 3 years	**1,927**	1,066
3 years to 4 years	**471**	466
4 years to 5 years	**252**	351
Over 5 years	**655**	785
Trade receivables - gross	**41,492**	32,939
Less: Provision for impairment	**(2,807)**	(2,199)
Trade receivables - net	**38,685**	30,740

10. Trade and other payables

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Trade payables	**49,742**	40,658
Other payables		
Accrued payroll and related expenses	**1,708**	1,598
Accrued expenses	**477**	454
Purchase deposits from customers	**28,390**	29,047
Deposits payable	**3,661**	3,259
Other taxes payable	**2,275**	1,981
Amounts due to Parent	**—**	2,914
Long-term payables due to third parties	**5,861**	—
Others	**2,744**	2,671
	45,116	41,924
Total trade and other payables	**94,858**	82,582
Less: Non-current portion:		
Other payables	**(6,181)**	(257)
Current portion	**88,677**	82,325

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

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Within 1 year	**39,100**	33,829
1 year to 2 years	**7,574**	4,843
2 years to 3 years	**1,818**	1,075
Over 3 years	**1,250**	911
	49,742	40,658

11. Available-for-sale financial assets

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

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
At beginning of year	**912**	2,365
Additions	**287**	64
Disposals	**(70)**	(969)
Net fair value gains/(losses) transferred to equity	**286**	(548)
At end of year	**1,415**	912
Less: non-current portion	**(1,388)**	(900)
Current portion	**27**	12

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

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Listed securities		
— Equity securities - China	**811**	301
Unlisted securities		
— Equity securities - China	**604**	611
	1,415	912
Market value of listed securities	**811**	301

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

XII. DIVIDENDS

The Board does not recommend payment of final dividend for the year ended 31 December 2009. The related proposal will be put forward for consideration and approval at the forthcoming AGM.

XIII. CLOSURE OF REGISTER OF MEMBERS

Shareholders whose name appears on the register of members of the Company on Tuesday, 29 June 2010 will be eligible to attend and vote at the AGM and the H Shareholders' class meeting ("H Shares Class Meeting") to be held on the same day. The register of members of the Company will be closed from Sunday, 30 May 2010 to Tuesday, 29 June 2010, both days inclusive, during which no transfer of shares will be effected. In order to qualify for attending and voting at the AGM and the H Shares Class Meeting, all completed transfer documents together with the relevant share certificate(s) for H Shares must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 28 May 2010.

XIV. SHARE CAPITAL

(1) Changes in Share Capital

1. Table of changes in shares

Unit: share

	Number	Percentage before change (%)	Increase/decrease (+, -)					Number	Percentage after change (%)
			Issue of new shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total		
I. Shares subject to selling restrictions									
1. State-owned shares	13,000,000,000	100	–	–	–	-261,000,000*	-261,000,000	12,739,000,000	66.66
2. Shares held by State-owned legal person	–	–	–	–	–	–	–	–	–
3. Other domestic shareholding	–	–	1,233,653,000	–	–	-1,233,653,000	0	–	–
Including: Shares held by domestic non state-owned legal person	–	–	1,233,653,000	–	–	-1,233,653,000	0	–	–
Shares held by domestic individuals	–	–	–	–	–	–	–	–	–
4. Foreign shareholding	–	–	305,155,000	–	–	–	305,155,000	305,155,000	1.60
Including: Shares held by overseas legal person	–	–	305,155,000	–	–	–	305,155,000	305,155,000	1.60
Shares held by overseas individuals	–	–	–	–	–	–	–	–	–
II. Shares not subject to selling restrictions									
1. Renminbi-denominated ordinary shares	–	–	2,266,347,000	–	–	1,233,653,000	3,500,000,000	3,500,000,000	18.31
2. PRC-listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas-listed foreign shares	–	–	2,565,845,000	–	–	–	2,565,845,000	2,565,845,000	13.43
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of shares	13,000,000,000	100	6,371,000,000	–	–	-261,000,000	6,110,000,000	19,110,000,000	100

Note:* In the listing of H Shares, the Parent and Baosteel reduced an aggregate of 261,000,000 state-owned shares held by them.

(1) Approval for the change in share capital

As approved by the CSRC and Shanghai Stock Exchange, in September 2009, the Company issued 3,500,000,000 A Shares of nominal value RMB1 each at RMB5.42 per share which were listed at Shanghai Stock Exchange on 21 September 2009.

As approved by the CSRC, in September 2009, the Company issued 2,871,000,000 H Shares of nominal value RMB1 each (without exercise of the over-allotment option) at HK$6.35 per share, which were approved by the Hong Kong Stock Exchange for listing on the Hong Kong Stock Exchange on 24 September 2009.

(2) Transfer registration for the change in share capital

Registration for shares issued in the A Share Offering was completed with the Shanghai branch of the China Securities Depository and Clearing Company Limited on 14 September 2009. Registration for shares issued in the H Share Offering was completed with Computershare Hong Kong Investor Services Limited on 24 September 2009.

2. *Changes in shares subject to selling restrictions*

Unit: Share

Name of shareholders	Number of shares subject to selling restrictions as at the beginning of the year	Released during the year	Additions during the year	Number of shares subject to selling restrictions as at the end of the year	Reason for being subject to selling restrictions	Date of releasing selling restrictions
China Metallurgical Group Corporation	0	0	12,265,108,500	12,265,108,500	Shares of controlling shareholder are subject to selling restrictions for a period of 36 months commencing from the A Shares listing date	21 September 2012
Baosteel Group Corporation	0	0	123,891,500	123,891,500	Shares held by it prior to the initial public offering of the A Shares are subject to selling restrictions for a period of 1 year commencing from the A Shares listing date	21 September 2010
The National Council for Social Security Fund of the PRC （全國社會保障基金理事會轉持三戶）	0	0	346,500,000	346,500,000	Assumed lock-up undertaking of China Metallurgical Group Corporation	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)	0	0	3,500,000	3,500,000	Assumed lock-up undertaking of Baosteel Group Corporation	21 September 2010
A Shares placed off-line	0	1,233,653,000	1,233,653,000	0	Shares subject to selling restrictions in A Shares issue	23 December 2009
H Share cornerstone investors	0	0	305,155,000	305,155,000	Issue of H Shares subject to selling restrictions under the relevant cornerstone investor agreement	24 March 2010
Total	0	1,233,653,000	14,277,808,000	13,044,155,000	/	/

(2) Issue and Listing of Securities

1. Issue of securities in last three years

Unit: Share

Types of shares and derivative securities	Date of issue	Issuing price	Number of securities issued	Date of listing	Number of securities approved for trading and listing
Shares					
A Shares	9 September 2009	RMB5.42	3,500,000,000	21 September 2009	23,500,000,000
H Shares	24 September 2009	HK$6.35	2,871,000,000	24 September 2009	2,871,000,000 (including 305,155,000 H Shares held by H Share cornerstone investors which was released from selling restrictions on 24 March 2010)

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

*Note**: Any discrepancies of the percentage of the H Share Shareholders of the total share capital issued by the Company between the actual percentage and the total ratios of the table of "Changes in Shares and Particulars of Shareholders" are due to rounding.

2. Change in total share capital and share capital structure

Save for the A Share Offering and H Share Offering in the PRC and abroad respectively in 2009, no change in total share capital and share capital structure of the Company occurred due to bonus issue, shares converted from capital reserves, share placement or otherwise during the Reporting Period.

3. Existing employee shares

The Company had no employee shares during the Reporting Period.

(3) Particulars of Shareholders and Ultimate Controlling Person (during the Reporting Period)

1. Number of shareholders and their shareholding

(1) Number of shareholders and their shareholding

As at the end of the Reporting Period, the Company had a total of 495,031 Shareholders, including 485,299 holders of A Shares and 9,732 holders of H Shares.

Total number of Shareholders as at the end of Reporting Period: 495,031

Particulars of the top 10 shareholders

Unit: share

Name of shareholder	Nature of Shareholder	Shareholding percentage (%)	Total number of shares held	Change during the Reporting Period	Number of shares subject to selling restrictions held	Number of shares pledged or frozen
China Metallurgical Group Corporation	state	64.18	12,265,108,500	-604,891,500	12,265,108,500	Nil
HKSCC Nominees Limited	others	14.95	2,857,833,000	2,857,833,000	305,155,000	Unknown
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)	state	1.83	350,000,000	350,000,000	350,000,000	Unknown
Baosteel Group Corporation	state	0.65	123,891,500	-6,108,500	123,891,500	Unknown
Hongyuan-CCB-Hongyuan Domestic Demand Growth Collective Asset Management Plan (宏源 － 建行 － 宏源內需成長集合資產管理計劃)	others	0.21	39,600,000	39,600,000	—	Unknown
ICBC– Penghua Quality Management Securities Investment Fund (中國工商銀行 –鵬華優質治理股票型證券投資基金) (LOF)	others	0.16	30,999,853	30,999,853	—	Unknown
Bank of China — Harvest CSI 300 Index Securities Investment Fund (中國銀行 － 嘉實滬深300指數證券投資基金)	others	0.11	21,135,216	21,135,216	—	Unknown
Citic Securities Co., Ltd.	others	0.11	20,344,690	20,344,690	—	Unknown
China Life Insurance Company Limited — Traditional — general insurance products — 005L-CT001 Shanghai (中國人壽保險股份有限公司 － 傳統 － 普通保險產品 － 005L－ CT001滬)	others	0.09	16,538,114	16,538,114	—	Unknown
CSIC Finance Co., Ltd. (中船重工財務有限責任公司)	others	0.09	16,537,948	16,537,948	—	Unknown

(2) Particulars of top 10 holders of shares not subject to selling restrictions

Name of shareholder	Number of shares not subject to selling restrictions held	Type of shares
HKSCC Nominees Limited*	2,552,678,000	H Shares
Hongyuan-CCB-Hongyuan Domestic Demand Growth Collective Asset Management Plan（宏源－建行－宏源內需成長集合資產管理計劃）	39,600,000	A Shares
ICBC — Penghua Quality Management Securities Investment Fund（中國工商銀行－鵬華優質治理股票型證券投資基金）(LOF)	30,999,853	A Shares
Bank of China — Harvest CSI 300 Index Securities Investment Fund (中國銀行－嘉實滬深300指數證券投資基金)	21,135,216	A Shares
Citic Securities Co., Ltd.	20,344,690	A Shares
China Life Insurance Company Limited — Traditional — general insurance products-005L-CT001 Shanghai（中國人壽保險股份有限公司—傳統－普通保險產品—005L—CT001滬）	16,538,114	A Shares
CSIC Finance Co., Ltd.（中船重工財務有限責任公司）	16,537,948	A Shares

PICC Property and Casualty Company Limited — Traditional — general insurance products-008C-CT001 Shanghai（中國人民財產保險股份有限公司 — 傳統 — 普通保險產品 — 008C — CT001滬）	16,537,948	A Shares
China Life Insurance Company Limited — Dividends — Group dividends-005L-FH001 Shanghai （中國人壽保險股份有限公司 — 分紅 — 團體分紅 — 005L — FH001滬）	16,537,948	A Shares
China Life Insurance Company Limited — Dividends — Individual dividends-005L-FH002 Shanghai （中國人壽保險股份有限公司 — 分紅 — 個人分紅 — 005L — FH002滬）	16,537,948	A Shares

Explanations on connections or parties acting in concert with the aforesaid Shareholders:	*Among the above Shareholders, save that China Life Insurance Company Limited — Traditional — general insurance products-005L-CT001 Shanghai, China Life Insurance Company Limited — Dividends – Group dividends-005L-FH001 Shanghai and China Life Insurance Company Limited — Dividends — Individual dividends-005L-FH002 Shanghai are under the common management of China Life Insurance Company Limited, the Company is not aware of the existence of any connections or parties acting in concert with other Shareholders.*

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

(3) Particulars of the top 10 holders of shares subject to selling restrictions and information on the selling restrictions

Unit: Share

Name of holder of Shares subject to selling restrictions	Number of Shares subject to selling restriction held	Date for Trading	Selling restrictions
China Metallurgical Group Corporation	12,265,108,500	21 September 2012	Subject to selling restrictions for a period of 36 months commencing on the A Shares listing date
The National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	346,500,000	21 September 2012	Subject to selling restrictions for a period of 36 months commencing on the A Shares listing date
The National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	3,500,000	21 September 2010	Subject to selling restrictions for a period of 1 year commencing on the A Shares listing date
Baosteel Group Corporation	123,891,500	21 September 2010	Subject to selling restrictions for a period of 1 year commencing on the A Shares listing date
HKSCC Nominees Limited*	305,155,000	24 March 2010	Subject to selling restrictions for a period of 6 months commencing on the H Shares listing date under the relevant cornerstone investor agreement

Elaborations of any connections or parties acting in concert with the above Shareholders: The Company is not aware of the existence of any connections or parties acting in concert with the above Shareholders.

Note:* HKSCC Nominees Limited holds an aggregate of 305,155,000 H Shares on behalf of five cornerstone investors of H Shares, namely China Overseas Finance Investment Limited, CCB International Asset Management Limited, China Road Engineering and Investment Company Limited, Bank of China Group Investment Limited and CITIC Pacific Limited, with each of them holding 61,031,000 H Shares.

2. *Controlling Shareholder and Ultimate Controlling Person*

(1) Controlling shareholder

The controlling shareholder of the Company is China Metallurgical Group Corporation, whose registered office is No. 11 Gao Liang Qiao Xiejie, Haidian District, Beijing, PRC and the legal representative is Wang Weimin, and the registered capital is RMB7,492,861,000.

China Metallurgical Group Corporation is a large state-owned enterprise under the supervision of the SASAC, whose predecessor is China Metallurgical Construction Corporation (中國冶金建設公司). In 1994, upon the approval of the former State Economic and Trade Commission, China Metallurgical Construction Corporation was renamed China Metallurgical Construction Group Corporation (中國冶金建設集團公司) based on which China Metallurgical Group Corporation was set up. On 12 March 2006, the SASAC approved China Metallurgical Construction Group Corporation to be renamed China Metallurgical Group Corporation. On 27 April 2009, upon the approval of the SASAC, China Metallurgical Group Corporation 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, China Metallurgical Group Corporation, as the controlling shareholder of the Company, mainly functions as a shareholder of the Company, operates paper business and deal with or dispose of its retained assets.

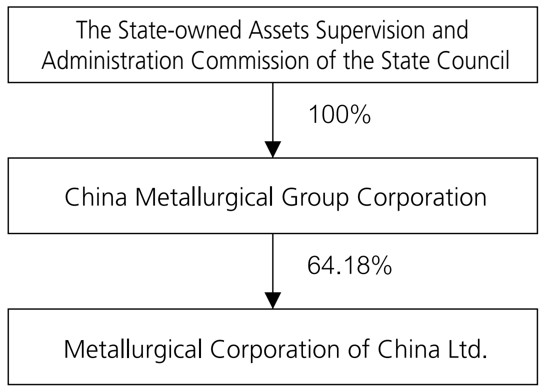
(2) Ultimate controlling person

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

(3) Changes of controlling shareholder and ultimate controlling person

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

3. The shareholding relationship between the Company and the ultimate controlling person



4. Other corporate shareholders holding 10% or more of the Company's shares

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities of the Company for the year ended 31 December 2009.

XVI. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period from 24 September 2009, being the date the H Shares of the Company were listed on the Hong Kong Stock Exchange, to 31 December 2009, the Company had complied with the principles and code provisions set forth in the Code on Corporate Governance Practices under Appendix 14 to the Hong Kong Listing Rules.

XVII. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has passed a Board resolution to adopt the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct governing the securities dealings of Directors and Supervisors of the Company. Having made specific enquiries with all Directors and Supervisors, the Company confirmed that all members of the Board and Supervisory Committee had fully complied with the Model Code throughout the period from 24 September 2009, being the date of listing of the Company's H Shares on the Hong Kong Stock Exchange, to 31 December 2009. The senior management and all management staff and staff members of the Company and its subsidiaries are also subject to relevant requirements.

XVIII. EVENTS AFTER THE YEAR END

On 30 December 2009, a subsidiary of the Company entered into an agreement with the Parent for the disposal of an office building to the Parent for a consideration of RMB2,350,250,000. The relevant agreement was approved at the Shareholders' meeting on 16 March 2010.

XIX. REVIEW WORK OF THE FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group in collaboration with the Company's management, and has discussed with the Directors on matters in relation to the internal control and financial reporting of the Company, including the review of the annual results of the Group for the year ended 31 December 2009.

XX. ANNUAL GENERAL MEETING AND CLASS MEETINGS OF A SHARES AND H SHARES

The AGM and the class meetings of A Shares and H Shares will be held on 29 June 2010. For details of the AGM and relevant class meetings, please refer to the notice of AGM and relevant class meetings expected to be issued on or before 30 April 2010.

XXI. AUDITORS

PricewaterhouseCoopers ("PwC Hong Kong") was appointed as the international auditor of the Company for the year ended 31 December 2009. The figures in respect of the results announcement of the Group for the year ended 31 December 2009 have been agreed by PwC Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2009. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Federation of Accountants and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

XXII. PUBLICATION OF ANNUAL REPORT

The annual report of the Group for the year ended 31 December 2009 will be available on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company's website (www.mccchina.com) on or before 30 April 2010 for inspection by the Company's Shareholders.

XXIII. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

A Shares	the Domestic Shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
A Share Offering	the offering by the Company of the A Shares in the PRC, which was completed on 21 September 2009
Baosteel or Baosteel Group	Baosteel Group Corporation and, except where the context otherwise requires, all of its associates

China or PRC	The People's Republic of China, excluding, for purposes of this document only, Hong Kong, Macao and Taiwan
controlling shareholder	has the meaning ascribed thereto under the Hong Kong Listing Rules
CSRC	the China Securities Regulatory Commission
Director(s)	the director(s) of the Company, including all executive, non-executive and independent non-executive directors
H Shares	the overseas listed foreign invested shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in HK dollars
H Share Offering	Hong Kong public offering of the H Shares
H Shares Prospectus	Prospectus of the Company in relation to the offering of the H Shares dated 11 September 2009
HK$ or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong or HK	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards promulgated by the International Accounting Standards Board, which include the International Accounting Standards

Parent	China Metallurgical Group Corporation
Parent Group	China Metallurgical Group Corporation and its subsidiaries
Parent Reorganization	the reorganization of the Parent, the particulars of which are described in "History and Reorganization" and Appendix IX "Statutory and General Information -Reorganization" in H Share Prospectus
Reorganization Agreement	the agreement dated 5 December 2008 entered into between the Parent and the Company relating to the Parent Reorganization
Renminbi or RMB	Renminbi Yuan, the lawful currency of the PRC
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
Shareholder	holders of shares of the Company
State Council	the State Council of the PRC
Supervisor	the supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
US$ or U.S. dollars	United States dollars, the lawful currency of the United States

GLOSSARY

BOT	Build-Operate-Transfer, a business model in which the proprietor grants the rights to a contracted enterprise by concession agreement to undertake the financing, design, construction, operation and maintenance of a project (mainly infrastructure projects), which enterprise can charge users a fee during the concession period to cover its costs of investment, operations and maintenance as well as reasonable returns, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor
BT	Build-Transfer, a business model in which the contractor undertakes the financing of construction expenditures and transfers the project back to the proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in instalments pursuant to relevant agreements
design	application of engineering theories and techno-economic approaches, based on the prevailing technical standards, for conducting all-round design (including requisite non-standardized equipment design) and 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

EP	Design-procurement mode in the field of engineering and construction
EPC or engineering, procurement and construction, or turnkey contracting	commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be responsible for the quality, safety, timely delivery and cost of the project
iron making	the process to extract metallic iron from iron-containing minerals (mainly ferriferous oxide), including the blast furnace process, direct reduction process, smelt reduction process and plasma process
Luban Award	the PRC Construction and Engineering Luban Award (National Excellent Projects), which is the highest award for outstanding quality in engineering work in the construction industry in the PRC under two categories, namely, main contractor and key participants, and is assessed by the China Construction Industry Association annually
mineral resources	a concentration or occurrence of a material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity such that there are reasonable prospects for eventual economic extraction
non-ferrous metals	refers to the group of metals other than ferrous metals (iron, manganese and chromium)
ore	the portion of a reserve from which a metal or valuable metal can be extracted profitably under current or immediately foreseeable economic conditions

pelletizing	an important process in the steel making industry to convert ore powder into large pieces whereby ore powder is combined with water and adhesives to produce spheres of appropriate adhesiveness and strength, which are then converted into pellets by drying and thermal treatment followed by oxidized sintering
pig iron	the iron material extracted from the sintered ores or other iron ores in the iron smelting process
Science and Technology Advancement Award	this award recognizes achievements in various industries involving the development of new products and technologies, promotion of new technology applications, production of advanced technology, reform and enhancement of corporate technology, advancement of technology, key construction work, introduction of key equipment research and development, absorption of new foreign technology, or in-house development of innovative technology at the national and provincial levels; recipients of national Science and Technology Advancement Awards are determined by the relevant departments of the State Council annually, while recipients of provincial Science and Technology Advancement Awards are determined by the Departments of Science and Technology in the respective provinces
shaft	a vertical excavation from the surface to provide access to an underground mine
sintering	a process whereby iron-bearing materials in the form of powder or grains are evenly mixed with a solvent and burned in a sintering machine to produce ores in certain shapes; the sinter so produced is one of the major raw materials used for iron making in a blast furnace

smelting	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed in ores
social welfare housing	social welfare housing provided by the government to medium- and low-income households with certain restrictions on the eligibility of applicants, construction standards, selling price or rent standards, including, but not limited to, dually restricted commodity housing (with restrictions on price and size), economically affordable housing, policy-based rental housing and low-rent housing
steel making	the process whereby impurities in pig iron and scrap steel are oxidized and removed to an appropriate degree, followed by the addition of iron alloys, to produce a material with appropriate amounts of carbon and constituent elements of the alloys

survey	survey, explore, test and undertake overall assessment on landscape, geology and water for planning, design, implementation, operations and integrated management of a project; provide feasibility assessment and required information on the exploration results for construction; and carry out exploration, design, management and monitoring activities in rock engineering

By order of the Board of Directors
Metallurgical Corporation of China Ltd.*
Huang Dan
Joint Company Secretary

Beijing, the PRC
28 April 2010

As at the date of this announcement, the Board of Directors of the Company comprises two executive Directors, Wang Weimin and Shen Heting; one non-executive Director, Guo Wenqing; and five independent non-executive Directors, Jiang Longsheng, Wen Keqin, Liu Li, Chen Yongkuan and Cheung Yukming.

* *For identification purpose only*