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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)

2010 ANNUAL RESULTS ANNOUNCEMENT

OVERVIEW

The Board of Metallurgical Corporation of China Ltd.* (the "Company") is pleased to announce the audited results for the year ended 31 December 2010 of the Company and its subsidiaries (collectively the "Group"), which are highlighted as follows:

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

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

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

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

- As at 31 December 2010, total assets amounted to RMB288,221 million, representing an increase of RMB56,380 million or 24.32% from RMB231,841 million in 2009.
- Total equity amounted to RMB53,512 million, representing an increase of RMB7,436 million or 16.14% from RMB46,076 million in 2009.
- Newly signed contract value amounted to RMB285,014 million, representing an increase of 30.23% from 2009, including USD4,025 million of newly signed overseas contracts.

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.*
First registration date of the Company	1 December 2008
Registered office	28 Shuguang Xili, Chaoyang District Beijing
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	Kang Chengye Ma Sau Kuen Gloria
Information and enquiry	Secretariat of the Board
Telephone number	(86) 10 59868666

Website address	http://www.mccchina.com
Place of listing	The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") Shanghai Stock Exchange
Stock name	MCC
Stock code	1618 (Hong Kong) 601618 (Shanghai)

II. BUSINESS REVIEW

(1) Business Segments for the Group

1. Engineering and Construction Business

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

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

Unit: RMB00' million

	2010	% of the total	2009 (As restated, see note 2.1)	Year-on-year growth
Segment revenue	**1,577.06**	75.02%	1,371.72	14.97%
Segment results	**64.59**	59.94%	69.07	-6.49%
New contracted value	**2,184.59**	—	1,850.00	18.08%

Metallurgical Engineering and Construction Market

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

Non-metallurgical Engineering and Construction Market

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

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

Overseas Market Expansion

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

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

Awards

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

Awards of engineering and construction of the Company for 2010

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

2. *Equipment Manufacturing Business*

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

The overall operating results of the equipment manufacturing segment in 2010

Unit: RMB00' million

	2010	% of total	2009 (As restated, see note 2.1)	Year-on-year growth
Segment revenue	**105.84**	5.03%	90.89	16.45%
Segment result	**-0.89**	-0.83%	2.04	-143.63%

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

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

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

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

Non-metal products (including commercial concrete, cement, grouting materials and refractory materials). With designed capacity of 11,520,000 m^3 and 726,500 tons, the category recorded output of 8,570,200 m^3 and 314,000 tons respectively in 2010, representing year-on-year increase of 29.59% and 39.25% respectively.

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

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

3. Resources Development Business

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

The overall operating results of the resource development segment in 2010

Unit: RMB00' million

	2010	% of total	2009 (As restated, see note 2.1)	Year-on-year growth
Segment revenue	**109.37**	5.20%	76.44	43.08%
Segment result	**5.48**	5.08%	3.68	48.91%

Annual Output of Certain Projects in the Resources Segment for 2010

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

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

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

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

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

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

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

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

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

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

4. *Property Development Business*

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

The overall operating results of the property development segment in 2010

Unit: RMB00'million

	2010	% of total	2009 (As restated, see note 2.1)	Year-on-year growth
Segment revenue	**249.09**	11.85%	94.38	163.92%
Segment result	**38.01**	35.27%	10.46	263.38%

Specific operating results of the property development segment in 2010

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

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

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

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

III. FINANCIAL REVIEW

(1) Overview

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

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

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

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

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

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

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

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

(2) Revenue from principal business segments

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

- ***Engineering and construction business***

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

- ***Equipment manufacturing business***

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

- ***Resources development business***

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

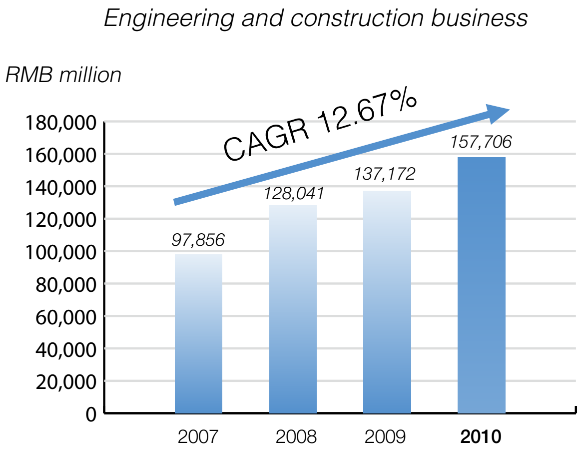
- ***Property development business***

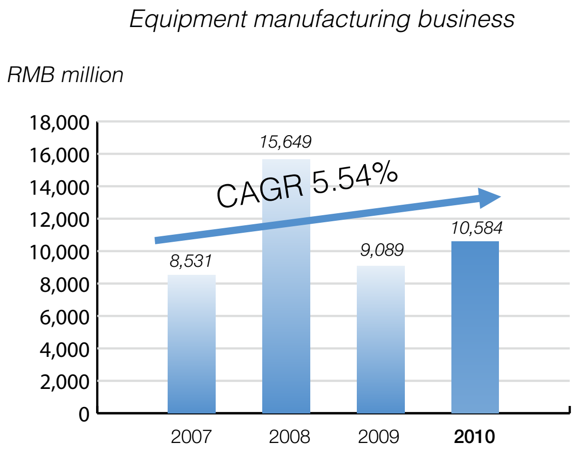
  Segment revenue amounted to RMB24,909 million, representing an increase of RMB15,471 million or 163.92% from RMB9,438 million in 2009.

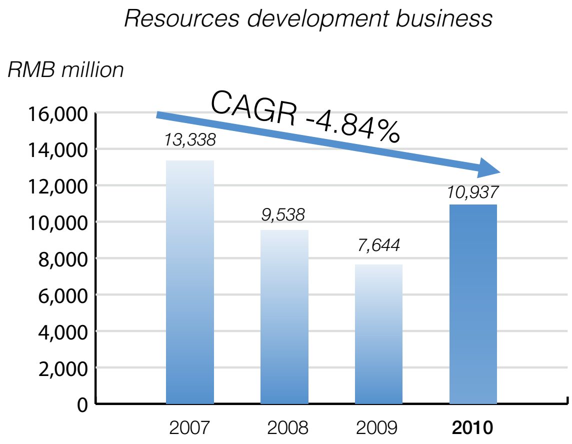
- ***Other businesses***

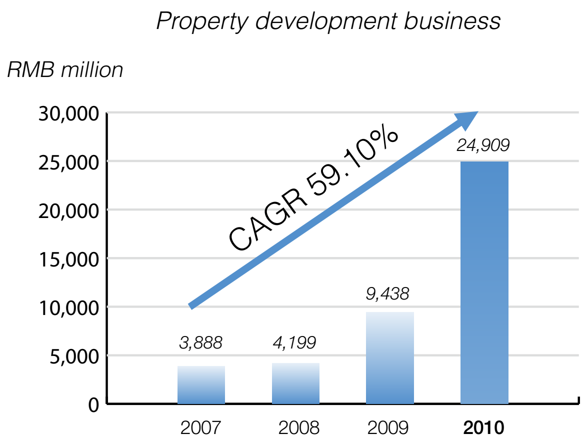
  Segment revenue amounted to RMB6,089 million, representing an increase of RMB2,278 million or 59.77% from RMB3,811 million in 2009.

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









IV. PROSPECTS

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

Major business development strategies:

(1) Engineering and Construction Business

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

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

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

(2) Equipment Manufacturing Business

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

(3) Resource Development Business

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

(4) Property Development Business

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

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

Other strategic measures:

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

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

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

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

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

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

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

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

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

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

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

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

V. MANAGEMENT DISCUSSION AND ANALYSIS

(1) Overview

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

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

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

2. Cost of sales and gross profit

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

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

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

3. Operating profit

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

4. Finance income

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

5. Finance costs

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

6. Share of profits of associates

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

7. Profit before income tax

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

8. Income tax expense

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

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

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

10. Profit attributable to equity holders of the Company

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

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

(3) Discussion of results by segment

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

	Segment revenue For the year ended 31 December		**Gross profit For the year ended 31 December**		**Gross profit margin For the year ended 31 December**		**Segment result For the year ended 31 December**		**Segment result margin [1] For the year ended 31 December**	
	2010	2009 (As restated, see note 2.1)	**2010**	2009 (As restated, see note 2.1)	**2010**	2009 (As restated, see note 2.1)	**2010**	2009 (As restated, see note 2.1)	**2010**	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*	***(RMB million)***	*(RMB million)*	%	%	***(RMB million)***	*(RMB million)*	%	%
Engineering and construction	**157,706**	137,172	**13,649**	12,374	**8.65%**	9.02%	**6,459**	6,907	**4.10%**	5.04%
% of the total	**75.02%**	82.06%	**65.38%**	77.44%			**59.94%**	79.19%		
Equipment manufacturing	**10,584**	9,089	**927**	840	**8.76%**	9.24%	**(89)**	204	**-0.84%**	2.24%
% of the total	**5.03%**	5.44%	**4.44%**	5.26%			**-0.83%**	2.34%		
Resources development	**10,937**	7,644	**1,424**	958	**13.02%**	12.53%	**548**	368	**5.01%**	4.81%
% of the total	**5.20%**	4.57%	**6.82%**	6.00%			**5.08%**	4.22%		
Property development	**24,909**	9,438	**4,645**	1,432	**18.65%**	15.17%	**3,801**	1,046	**15.26%**	11.08%
% of the total	**11.85%**	5.65%	**22.25%**	8.96%			**35.27%**	11.99%		
Other business	**6,089**	3,811	**232**	374	**3.81%**	9.81%	**58**	197	**0.95%**	5.17%
% of the total	**2.90%**	2.28%	**1.11%**	2.34%			**0.54%**	2.26%		
Subtotal	**210,225**	167,154	**20,877**	15,978	**9.93%**	9.56%	**10,777**	8,722	**5.13%**	5.22%
Inter-segment elimination	**(3,828)**	(1,659)	**(115)**	(169)			**(115)**	(169)		
Total	**206,397**	165,495	**20,762**	15,809	**10.06%**	9.55%	**10,662**	8,553	**5.17%**	5.17%
Unallocated administrative expenses							**(226)**	(135)		
Total operating profit							**10,436**	8,418		

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

1. Engineering and construction

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

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

	For the year ended 31 December	
	2010	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*
Segment revenue	**157,706**	137,172
Cost of sales	**(144,057)**	(124,798)
Gross profit	**13,649**	12,374
Selling and marketing expenses	**(749)**	(556)
Administrative expenses	**(7,022)**	(5,460)
Other income and gains	**581**	549
Segment result	**6,459**	6,907
Depreciation and amortisation	**1,115**	916

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

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

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

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

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

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

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

2. *Equipment manufacturing*

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

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

	For the year ended 31 December	
	2010	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*
Segment revenue	**10,584**	9,089
Cost of sales	**(9,657)**	(8,249)
Gross profit	**927**	840
Selling and marketing expenses	**(208)**	(172)
Administrative expenses	**(874)**	(607)
Other income and gains	**66**	143
Segment result	**(89)**	204
Depreciation and amortisation	**306**	220

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

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

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

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

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

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

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

3. Resources development

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

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

	For the year ended 31 December	
	2010	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*
Segment revenue	**10,937**	7,644
Cost of sales	**(9,513)**	(6,686)
Gross profit	**1,424**	958
Selling and marketing expenses	**(150)**	(98)
Administrative expenses	**(810)**	(659)
Other income and gains	**84**	167
Segment result	**548**	368
Depreciation and amortisation	**581**	484

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

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

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

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

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

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

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

4. Property development business

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

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

	For the Year Ended 31 December	
	2010	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*
Segment revenue	**24,909**	9,438
Cost of sales	**(20,264)**	(8,006)
Gross profit	**4,645**	1,432
Selling and marketing expenses	**(339)**	(143)
Administrative expenses	**(634)**	(226)
Other income and gains/(expenses)	**129**	(17)
Segment result	**3,801**	1,046
Depreciation and amortisation	**30**	30

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

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

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

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

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

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

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

5. *Other businesses*

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

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

	For the Year Ended 31 December	
	2010	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*
Segment revenue	**6,089**	3,811
Cost of sales	**(5,857)**	(3,437)
Gross profit	**232**	374
Selling and marketing expenses	**(84)**	(74)
Administrative expenses	**(123)**	(115)
Other income and gains	**33**	12
Segment result	**58**	197
Depreciation and amortisation	**61**	40

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

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

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

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

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

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

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

(4) Liquidity and capital resources

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

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

1. Information on cash flow

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

	For the Year Ended 31 December	
	2010	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*
Net cash used in operating activities	**(25,121)**	(6,811)
Net cash used in investing activities	**(11,335)**	(15,705)
Net cash generated from financing activities	**31,178**	41,044
Net (decrease)/increase in cash and cash equivalents	**(5,278)**	18,528
Cash and cash equivalents at the beginning of the year	**44,740**	26,193
Exchange gains/(losses) on cash and cash equivalents	**(160)**	19
Balance of cash and cash equivalents at the end of the period	**39,302**	44,740

2. *Cash flows from operating activities*

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

3. *Cash flows from investing activities*

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

4. *Cash flows from financing activities*

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

5. Capital expenditures

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

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

	For the Year Ended 31 December	
	2010	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*
Engineering and construction business	**4,385**	3,268
Equipment manufacturing business	**2,179**	2,756
Resources development business	**4,993**	5,495
Property development business	**91**	238
Other businesses	**914**	59
Total	**12,562**	11,816

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

6. Working capital

Trade receivables and trade payables.

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

	For the Year Ended 31 December	
	2010	2009 (As restated, see note 2.1)
	days	*days*
The turnover days of the average trade receivables [(1)]	**91**	82
The turnover days of the average trade payables [(2)]	**107**	109

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

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

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

	As at 31 December	
	2010	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*
Less than one year	**47,738**	32,396
One to two years	**9,281**	5,940
Two to three years	**2,691**	1,927
Three to four years	**1,133**	471
Four to five years	**257**	252
Over five years	**674**	655
Total	**61,774**	41,641

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

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

	As at 31 December	
	2010	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*
Within one year	**47,145**	38,608
One to two years	**7,895**	7,412
Two to three years	**3,030**	1,823
Over three years	**1,666**	1,121
Total	**59,736**	48,964

7. Retentions

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

	As at 31 December	
	2010	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*
Current portion	**1,284**	831
Non-current portion	**695**	797
Total	**1,979**	1,628

(5) Indebtedness

1. Borrowings

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

	As at 31 December	
	2010	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*
Non-current		
Long-term bank borrowings		
— Secured [a]	**4,379**	3,940
— Unsecured	**23,552**	24,825
	27,931	28,765
Other long-term borrowings		
— Secured [a]	**—**	522
— Unsecured	**6,562**	3,592
— Debentures [b(i)]	**18,182**	3,500
	24,744	7,614
Total non-current borrowings	**52,675**	36,379
Current		
Short-term bank borrowings		
— Secured [a]	**3,323**	4,123
— Unsecured	**18,995**	19,838
	22,318	23,961

(5) Indebtedness *(Continued)*

1. Borrowings (Continued)

	As at 31 December	
	2010	2009 (As restated, see note 2.1)
	(RMB million)	*(RMB million)*
Other short-term borrowings		
— Secured	**—**	—
— Unsecured	**4,952**	703
— Debentures [b(ii)]	**18,350**	—
	23,302	703
Current portion of long-term bank borrowings		
— Secured [a]	**717**	1,770
— Unsecured	**6,380**	1,674
	7,097	3,444
Current portion of other long-term borrowings		
— Secured [a]	**—**	3,500
— Unsecured	**532**	—
	532	3,500
Total current borrowings	**53,249**	31,608
Total borrowings	**105,924**	67,987

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

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

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

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

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

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

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

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

	As at 31 December	
	2010	2009 (As restated, see note 2.1)
	RMB million	*RMB million*
Less than one year	**53,249**	31,608
One to two years	**15,548**	13,924
Two to five years	**19,360**	16,497
Wholly repayable within five years	**88,157**	62,029
More than five years	**17,767**	5,958
Total	**105,924**	67,987

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

	As at 31 December	
	2010	2009 (As restated, see note 2.1)
	RMB million	*RMB million*
RMB	**100,125**	65,204
U.S. dollar	**4,705**	2,780
Singapore dollar	**1,094**	3
Total	**105,924**	67,987

2. *Financial Guarantee*

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

	The year ended 31 December	
	2010	2009
		(As restated, see note 2.1)
	RMB million	*RMB million*
Outstanding guarantees[(i)]		
— Third parties	**288**	1,646
— Related parties	**100**	0
Total	**388**	1,646

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

3. *Contingencies*

	As at 31 December 2010	As at 31 December 2009 (As restated, see note 2.1)
	RMB million	*RMB million*
Pending lawsuits/arbitrations	**318**	462

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

(6) Market Risks

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

1. Interest Rate Risk

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

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

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

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

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

2. ***Foreign Exchange Risk***

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

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

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

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

3. Price Risk

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

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

	As at 31 December	
	2010	2009
Change in equity price	**1%**	1%

	Year ended 31 December	
	2010	2009
	RMB'million	*RMB'million*
Impact on profit attributable to equity holders of the Company		
Increase/(decrease) in profit attributable to equity holders of the Company for the year		
— as a result of increase in equity securities price	**—**	3
— as a result of decrease in equity securities price	**—**	(3)
Impact on equity		
Increase/(decrease) in equity for the year		
— as a result of increase in equity securities price	**9**	8
— as a result of decrease in equity securities price	**(9)**	(8)

4. *Credit Risk*

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

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

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

5. *Liquidity Risk*

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

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

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

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

VI. CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2010 RMB'million	As at 31 December 2009 RMB'million (See note 2.1)	As at 1 January 2009 RMB'million (See note 2.1)
ASSETS				
Non-current assets				
Property, plant and equipment		**37,104**	30,257	22,066
Land use rights		**8,054**	7,737	7,161
Mining rights		**4,857**	3,675	3,516
Investment properties		**812**	810	837
Intangible assets		**6,473**	5,285	3,615
Investments in associates		**1,815**	1,155	929
Available-for-sale financial assets	11	**1,548**	1,464	1,050
Held-to-maturity financial assets		**—**	250	47
Deferred income tax assets		**2,161**	1,852	1,479
Trade and other receivables	9	**10,272**	3,288	1,734
Other non-current assets		**131**	107	93
		73,227	55,880	42,527

VI. CONSOLIDATED BALANCE SHEET *(CONTINUED)*

				As at
		As at 31 December		1 January
	Note	**2010**	2009	2009
		RMB'million	*RMB'million*	*RMB'million*
			(See note 2.1)	(See note 2.1)
Current assets				
Inventories		**13,025**	11,549	11,700
Properties under development		**41,669**	20,364	17,402
Completed properties held for sale		**3,606**	2,556	367
Trade and other receivables	9	**84,390**	69,568	57,592
Amounts due from customers for contract work		**30,601**	25,582	16,913
Available-for-sale financial assets	11	**—**	27	12
Held-to-maturity financial assets		**250**	51	—
Financial assets at fair value through profit or loss		**—**	301	2
Restricted cash		**2,151**	1,223	2,271
Cash and cash equivalents		**39,302**	44,740	26,193
		214,994	175,961	132,452
Total assets		**288,221**	231,841	174,979

VI. CONSOLIDATED BALANCE SHEET *(CONTINUED)*

	Note	As at 31 December 2010 RMB'million	As at 31 December 2009 RMB'million (See note 2.1)	As at 1 January 2009 RMB'million (See note 2.1)
EQUITY				
Equity attributable to equity holders of the Company				
Share capital		**19,110**	19,110	13,000
Reserves		**25,861**	19,658	(8,951)
— Proposed dividend		**898**	—	—
— Other reverses		**24,963**	19,658	(8,951)
		44,971	38,768	4,049
Non-controlling interests		**8,541**	7,308	6,021
Total equity		**53,512**	46,076	10,070
LIABILITIES				
Non-current liabilities				
Borrowings		**52,675**	36,379	18,724
Deferred income		**801**	407	431
Retirement and other supplemental benefit obligations		**5,612**	5,941	6,265
Provisions for other liabilities and charges		**55**	59	24
Trade and other payables	10	**855**	6,186	218
Deferred income tax liabilities		**545**	632	621
		60,543	49,604	26,283

VI. CONSOLIDATED BALANCE SHEET *(CONTINUED)*

	Note	As at 31 December		As at 1 January
		2010	2009	2009
		RMB'million	*RMB'million*	*RMB'million*
			(See note 2.1)	(See note 2.1)
Current liabilities				
Trade and other payables	10	**106,314**	89,577	86,305
Dividends payable		**—**	—	256
Amounts due to customers for contract work		**12,722**	13,250	13,948
Current income tax liabilities		**1,278**	1,061	787
Borrowings		**53,249**	31,608	36,425
Retirement and other supplemental benefit obligations		**603**	665	905
		174,166	136,161	138,626
Total liabilities		**234,709**	185,765	164,909
Total equity and liabilities		**288,221**	231,841	174,979
Net current assets/(liabilities)		**40,828**	39,800	(6,174)
Total assets less current liabilities		**114,055**	95,680	36,353

VII. CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 31 December** **2010** *RMB'million*	2009 *RMB'million* (See note 2.1)
Revenue	3	**206,397**	165,495
Cost of sales	5	**(185,635)**	(149,686)
Gross profit		**20,762**	15,809
Selling and marketing expenses	5	**(1,530)**	(1,043)
Administrative expenses	5	**(9,689)**	(7,202)
Other income		**1,112**	955
Other (losses)/gains — net		**(21)**	39
Other expenses		**(198)**	(140)
Operating profit		**10,436**	8,418
Finance income	4	**849**	806
Finance costs	4	**(2,876)**	(2,621)
Share of profits of associates		**134**	85
Profit before income tax		**8,543**	6,688
Income tax expense	6	**(2,972)**	(1,500)
Profit for the year		**5,571**	5,188

VII. CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

	Note	Year ended 31 December 2010 RMB'million	2009 RMB'million (See note 2.1)
Attributable to:			
Equity holders of the Company		**5,321**	4,425
Non-controlling interests		**250**	763
		5,571	5,188
Earnings per share for profit attributable to the equity holders of the Company			
— Basic earnings per share *(RMB)*	7	**0.28**	0.30
— Diluted earnings per share *(RMB)*	7	**0.28**	0.30
Dividends	8	**898**	1,875

VIII CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

IX. CONSOLIDATED STATEMENT OF CHANGES EQUITY

(See note 2.1)	*Note*	Attributable to equity holders of the Company **Share capital** *RMB'million*	**Other reserves** *RMB'million*	**(Accumulated deficit)/ retained earnings** *RMB'million*	**Sub total** *RMB'million*	**Non-controlling interest** *RMB'million*	**Total** *RMB'million*
At 1 January 2009 (As previously reported)		13,000	(10,972)	(33)	1,995	5,633	7,628
Adjustment for early adoption of amendment to IFRS 1	12	—	1,997	28	2,025	328	2,353
Business combination under common control	12	—	29	—	29	60	89
At 1 January 2009 (As restated)		13,000	(8,946)	(5)	4,049	6,021	10,070
Profit for the year		—	—	4,425	4,425	763	5,188
Other comprehensive income:							
Fair value gains on available-for-sale financial assets, net of tax		—	219	—	219	17	236
Currency translation differences		—	(51)	—	(51)	(15)	(66)
Total comprehensive income for the year		—	168	4,425	4,593	765	5,358

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

(See note 2.1)	*Note*	Attributable to equity holders of the Company Share capital *RMB'million*	Other reserves *RMB'million*	(Accumulated deficit)/ retained earnings *RMB'million*	Sub total *RMB'million*	Non-controlling interest *RMB'million*	Total *RMB'million*
Transaction with owners							
Dividends		—	—	(1,875)	(1,875)	(566)	(2,441)
Transaction with non-controlling interests		—	(63)	—	(63)	(125)	(188)
Attributable to set-up/ acquisition of subsidiaries		—	—	—	—	853	853
Investments in subsidiaries reclassified as investments in associates		—	—	—	—	(16)	(16)
Issue of new shares		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	12	—	(31)	—	(31)	—	(31)
Appropriations		—	159	(159)	—	—	—
Others		—	6	—	6	—	6
Total transactions with owners		6,110	26,050	(2,034)	30,126	522	30,648
At 31 December 2009 (As restated)		19,110	17,272	2,386	38,768	7,308	46,076

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

	Note	Share capital	Other reserves	Retained earnings	Sub total	Non-controlling interest	Total
		Attributable to equity holders of the Company					
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
At 1 January 2010							
(As previously reported)		19,110	15,367	2,392	36,869	6,823	43,692
Adjustment for early adoption							
of amendment to IFRS 1	12	—	1,876	(9)	1,867	419	2,286
Business combination							
under common control	12	—	29	3	32	66	98
At 1 January 2010							
(As restated)		19,110	17,272	2,386	38,768	7,308	46,076
Profit for the year		—	—	5,321	5,321	250	5,571
Other comprehensive income:							
Fair value gains on							
available-for-sale financial							
assets, net of tax		—	7	—	7	(11)	(4)
Currency translation							
differences		—	(56)	—	(56)	(14)	(70)
Total comprehensive							
income for the year		—	(49)	5,321	5,272	225	5,497

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

		Attributable to equity holders of the Company					
	Note	**Share capital**	**Other reserves**	**Retained earnings**	**Sub total**	**Non-controlling interest**	**Total**
		RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Transaction with owners							
Dividends		—	—	—	—	(398)	(398)
Transaction with non-controlling interests		—	(23)	—	(23)	(82)	(105)
Attributable to set-up/ acquisition of subsidiaries		—	—	—	—	897	897
Liquidation/disposal of subsidiaries		—	—	—	—	(15)	(15)
Investments in subsidiaries reclassified as investments in associates		—	—	—	—	(23)	(23)
Additional capital injection from owners and non- controlling interest proportionally		—	—	—	—	635	635
Business combination under common control	12	—	(39)	—	(39)	(6)	(45)
Appropriations		—	102	(102)	—	—	—
Others		—	(6)	—	(6)	—	(6)
Capital contribution		—	999	—	999	—	999
Total transactions with owners		—	1,033	(102)	931	1,008	1,939
At 31 December 2010		19,110	18,256	7,605	44,971	8,541	53,512

X. CONSOLIDATED CASH FLOW STATEMENT

		Year ended 31 December	
		2010	2009
	Note	***RMB'million***	*RMB'million*
			(See note 2.1)
Cash flows from operating activities			
Cash used in operations		**(22,131)**	(5,161)
Income tax paid		**(2,990)**	(1,650)
Net cash used in operating activities		**(25,121)**	(6,811)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(9,166)**	(9,616)
Purchases of land use rights		**(445)**	(738)
Purchases of mining rights		**(294)**	(173)
Purchases of investment properties		**(2)**	(36)
Purchases of intangible assets		**(1,174)**	(1,766)
Purchases of available-for-sale financial assets		**(242)**	(287)
Purchases of held-to-maturity financial assets		**(538)**	(915)
Increase in investment in associates		**(258)**	(141)
Net cash (outflow)/inflow for acquisition of subsidiaries		**(25)**	46
Net cash outflow for business combination under common control		**(45)**	—
Prepayment for investments		**(1,099)**	(2,728)
Amounts received from/(paid to) related parties and third parties		**153**	(161)
Proceeds from disposal of property, plant and equipment		**154**	193
Proceeds from disposal of land use rights		**47**	53
Proceeds from disposal of investment properties		**4**	—
Proceeds from disposal of available-for-sale financial assets		**287**	80

X. CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

		Year ended 31 December	
		2010	2009
	Note	***RMB'million***	*RMB'million*
			(See note 2.1)
Proceeds from held-to-maturity financial assets upon maturity date		**596**	662
Net cash inflow from disposal of investment in associates		**2**	—
Net cash (outflow)/inflow from liquidation of subsidiaries		**(25)**	22
Net cash inflow on disposal of subsidiaries		**57**	—
Net cash inflow of withdraw the prepayment for investments		**251**	—
Transactions with non-controlling interests		**(147)**	(277)
Dividends received		**80**	77
Net cash inflow from asset related government grants		**494**	—
Net cash used in investing activities		**(11,335)**	(15,705)

X. CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

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

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. General information

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

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

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

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

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

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

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

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

2. Summary of significant accounting policies

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

2.1 Basis of presentation

(a) Business combination under common control

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

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

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

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of presentation (Continued)

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

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

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

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

Details of the adjustments for the common control combination and adjustment for early adoption of amendment to IFRS 1 on the Group's financial position as at 31 December 2010 and 2009 and the Group's results for the years then ended are set out in Note 12 to the consolidated financial statement.

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

2. Summary of significant accounting policies *(Continued)*

2.2 Basis of preparation

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

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

(a) Amended standards and interpretation adopted by the Group

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

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

  ➢ Amendment to IAS 7 'Statement of cash flows' (effective from 1 January 2010). Only expenditures that result in a recognised asset are eligible for classification as investing activities. The amendment does not have any effect on the Group's financial statements;

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

2. Summary of significant accounting policies *(Continued)*

2.2 Basis of preparation (Continued)

(a) Amended standards and interpretation adopted by the Group (Continued)

- Amendment to IAS 17 'Leases' (effective from 1 January 2010). The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The amendment does not have any effect on the Group's financial statements;

- Amendment to IAS 36 'Impairment of assets' (effective from 1 January 2010). This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in IFRS 8. The amendment does not have any effect on the Group's financial statements;

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

2. Summary of significant accounting policies *(Continued)*

2.2 Basis of preparation (Continued)

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

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

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

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

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

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

2. Summary of significant accounting policies *(Continued)*

2.2 Basis of preparation (Continued)

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

- *(Continued)*

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

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: (i) engineering and construction; (ii) equipment manufacturing; (iii) resources development; and (iv) property development.

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

3. Segment information *(Continued)*

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.

3. Segment information *(Continued)*

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

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

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

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

3. Segment information *(Continued)*

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

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

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

3. Segment information *(Continued)*

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

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

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

4. Finance income and costs

	Year ended 31 December	
	2010	2009
	RMB'million	*RMB'million*
		(See note 2.1)
Interest expense		
— Bank borrowings wholly repayable within 5 years	**3,667**	3,146
— Bank borrowings repayable over 5 years	**663**	248
— Other borrowings	**275**	551
	4,605	3,945
Less: Amounts capitalised in construction-in-progress [(a)]	**(495)**	(375)
Less: Amounts capitalised in properties under development [(b)]	**(1,326)**	(1,023)
	2,784	2,547
Net foreign exchange gains on borrowings	**(77)**	(8)
Discount charges on bank acceptance notes	**169**	82
Finance costs	**2,876**	2,621
Interest income on bank deposits	**(717)**	(542)
Interest income on held-to-maturity financial assets	**(1)**	(3)
Interest income on loans to related parties	**(75)**	(74)
Gain from debt restructuring	**(55)**	(74)
Others	**(1)**	(113)
Finance income	**(849)**	(806)
Finance costs, net	**2,027**	1,815

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

4. Finance income and costs *(Continued)*

(a) Interest expenses were capitalised as construction-in-progress at the rate of 4.90% (2009: 5.07%) per annum for the year ended 31 December 2010.

(b) Interest expenses were capitalised as properties under development at the rate of 5.33% (2009: 6.51%) per annum for the year ended 31 December 2010.

5. Expense by nature

	Year ended 31 December	
	2010	2009
	RMB'million	*RMB'million*
		(See note 2.1)
Raw materials, purchased equipment and consumables used	**92,790**	62,411
Changes in inventories of finished goods and work-in-progress	**(23,563)**	(4,948)
Subcontracting charges	**89,922**	70,148
Employee benefits	**13,188**	10,980
Depreciation of property, plant and equipment	**1,723**	1,454
Fuel and heating expenditure	**716**	461
Business tax and other transaction taxes	**5,666**	4,197
Travelling expenses	**1,382**	1,134
Office expenses	**1,781**	1,528
Transportation costs	**796**	583
Operating lease rentals	**4,443**	4,284
Provision for impairment of trade and other receivables	**932**	771
Research and development costs	**1,794**	1,450
Repairs and maintenance	**1,045**	836
Advertising expenditure	**348**	193
Foreseeable losses/(reversal of foreseeable losses) on construction contracts	**65**	(58)

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

5. Expense by nature *(Continued)*

	Year ended 31 December	
	2010	2009
	RMB'million	*RMB'million*
		(See note 2.1)
Amortisation of land use rights	**177**	166
Amortisation of mining rights	**39**	6
Depreciation of investment property	**35**	22
Amortisation of intangible assets	**119**	42
Insurance expenditure	**122**	81
Provision for/(reversal of) impairment on inventories	**158**	(14)
Professional and technical consulting fees	**657**	516
Provision for impairment of goodwill	**227**	15
Auditors' remuneration	**51**	55
Bank charges relating to operating activities	**220**	166
Provision for impairment of property, plant and equipment	**15**	—
Others	**2,006**	1,452
Total cost of sales, selling and marketing expenses and administrative expenses	**196,854**	157,931

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	
	2010	2009
	RMB'million	*RMB'million*
		(See note 2.1)
Current income tax:		
— PRC enterprise income tax	**2,421**	1,740
— Overseas taxation	**10**	7
	2,431	1,747
Deferred income tax	**(313)**	(385)
PRC land appreciation tax [d]	**854**	138
	2,972	1,500

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

6. Taxation *(Continued)*

(a) Income tax expense (Continued)

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

	Year ended 31 December	
	2010	2009
	RMB'million	*RMB'million*
		(See note 2.1)
Profit before income tax	**8,543**	6,688
Tax calculated at the statutory tax rate of 25%	**2,136**	1,672
Effect of difference between applicable tax rate and statutory tax rate to Group companies	**(480)**	(484)
Tax losses for which no deferred income tax asset was recognised and reversal of deferred income tax assets on tax losses recognised before	**817**	317
Income not subject to taxation	**(54)**	(54)
Expense not deductible for tax purpose	**155**	240
Additional tax relief	**(151)**	(107)
Utilisation of previously unrecognised tax losses and other deferred tax assets	**(97)**	(192)
Effect of higher tax rate for the appreciation of land in the PRC	**641**	104
Others	**5**	4
Income tax expense	**2,972**	1,500

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

6. Taxation *(Continued)*

(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. Dividend

At the board meeting held from 29 March 2011 to 31 March 2011, the Directors recommended the payment of a final dividend of RMB0.047 per ordinary share, totalling RMB898 million. Such dividend is to be approved by the Shareholders at the AGM. This recommended dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

For the year ended 31 December 2009, dividends declared to its then equity holders prior to the listing of the Company, the Parent and Baosteel Group Corporation by the Company were RMB1,875 million.

8. Earnings per share

(a) Basic

Basic earnings per share for the year ended 31 December 2010 and 2009 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2010	2009
	RMB'million	*RMB'million*
		(See note 2.1)
Profit attributable to equity holders of the Company	**5,321**	4,425
Weighted average number of ordinary shares in issue *(million)*	**19,110**	14,669
Basic earnings per share *(RMB)*	**0.28**	0.30

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

8. Earnings per share *(Continued)*

(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	
	2010	2009
	RMB'million	*RMB'million*
		(See note 2.1)
Trade receivables		
Trade receivables	**49,521**	32,446
Retentions	**1,979**	1,628
Notes receivables	**10,274**	7,567
	61,774	41,641
Less: Provision for impairment	**(3,607)**	(2,835)
Trade receivables — net	**58,167**	38,806

9 Trade and other receivables *(Continued)*

	As at 31 December	
	2010	2009
	RMB'million	*RMB'million*
		(See note 2.1)
Other receivables		
Prepayments to suppliers	**22,607**	19,909
Deposits	**8,649**	7,386
Amounts due from related parties and third parties	**1,848**	3,575
Staff advances	**702**	609
Prepayment for investments	**2,606**	2,728
Others	**970**	594
	37,382	34,801
Less: Provision for impairment	**(887)**	(751)
Other receivables — net	**36,495**	34,050
Total trade and other receivables	**94,662**	72,856
Less: Non-current portion		
— Trade and other receivables	**(9,577)**	(2,491)
— Retentions	**(695)**	(797)
	(10,272)	(3,288)
Current portion	**84,390**	69,568

9 Trade and other receivables *(Continued)*

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

	As at 31 December	
	2010	2009
	RMB'million	*RMB'million*
		(See note 2.1)
Less than 1 year	**47,738**	32,396
1 year to 2 years	**9,281**	5,940
2 years to 3 years	**2,691**	1,927
3 years to 4 years	**1,133**	471
4 years to 5 years	**257**	252
Over 5 years	**674**	655
Trade receivables — gross	**61,774**	41,641
Less: Provision for impairment	**(3,607)**	(2,835)
Trade receivables — net	**58,167**	38,806

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

10. Trade and other payables

	As at 31 December	
	2010	2009
	RMB'million	*RMB'million*
		(See note 2.1)
Trade payables	**59,736**	48,964
Other payables		
Accrued payroll and related expenses	**1,934**	1,341
Accrued expenses	**694**	477
Purchase deposits from customers	**29,004**	28,505
Deposits payable	**4,193**	3,408
Rental payable	**297**	308
Utilities payable	**289**	282
Repair and maintenance payable	**393**	440
Other taxes payable	**3,395**	2,364
Long-term payables due to third parties	**2,574**	5,861
Others	**4,660**	3,813
	47,433	46,799
Total trade and other payables	**107,169**	95,763
Less: Non-current portion:		
Other payables	**(855)**	(6,186)
Current portion	**106,314**	89,577

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

10. Trade and other payables *(Continued)*

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

	As at 31 December	
	2010	2009
	RMB'million	*RMB'million*
		(See note 2.1)
Within 1 year	**47,145**	38,608
1 year to 2 years	**7,895**	7,412
2 years to 3 years	**3,030**	1,823
Over 3 years	**1,666**	1,121
	59,736	48,964

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	
	2010	2009
	RMB'million	*RMB'million*
		(See Note 2.1)
At beginning of year	**1,491**	1,062
Additions	**245**	287
Disposals	**(224)**	(144)
Net fair value gains transferred to equity	**36**	286
At end of year	**1,548**	1,491
Less: non-current portion	**(1,548)**	(1,464)
Current portion	**—**	27

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

11. Available-for-sale financial assets *(Continued)*

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

	As at 31 December	
	2010	2009
	RMB'million	*RMB'million*
		(See Note 2.1)
Listed securities		
— Equity securities — China	**867**	811
Unlisted securities		
— Equity securities — China	**681**	680
	1,548	1,491
Market value of listed securities	**867**	811

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

12. Business combination under common control and adjustment for early adoption of amendment to IFRS 1

The adjustments for the common control combination of WMTE, WEEC and WMCC and adjustment for early adoption of amendment to IFRS 1 (Note 2.1) on the Group's financial position as at 31 December 2010 and 31 December 2009 and the Group's results for the years ended 31 December 2010 and 2009 are summarised as follow:

	The Group before transferred subsidiary	Adjustment for early adoption of amendment to IFRS 1	Transferred subsidiary	Consolidation adjustments	Year ended 31 December 2010
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Year ended 31 December 2010					
Revenue	205,626	—	889	(118)	206,397
Profit before income tax	8,629	(92)	6	—	8,543
Income tax expense	(2,977)	4	1	—	(2,972)
Profit for the year	5,652	(88)	7	—	5,571

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

12. Business combination under common control and adjustment for early adoption of amendment to IFRS 1 *(Continued)*

	The Group before transferred subsidiary	Adjustment for early adoption of amendment to IFRS 1	Transferred subsidiary	Consolidation adjustments	Year ended 31 December 2010
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
At 31 December 2010					
Assets					
Non-current assets	70,955	2,180	92	—	73,227
Current assets	214,697	11	774	(488)	214,994
Total assets	285,652	2,191	866	(488)	288,221
Equity					
Capital and reserves					
Share capital	19,110	—	50	(50)	19,110
Reserves	24,042	1,796	(24)	47	25,861
	43,152	1,796	26	(3)	44,971
Non-controlling interests	8,135	403	—	3	8,541
Total equity	51,287	2,199	26	—	53,512
Liabilities					
Non-current liabilities	60,548	(8)	3	—	60,543
Current liabilities	173,817	—	837	(488)	174,166
Total liabilities	234,365	(8)	840	(488)	234,709
Total equity and liabilities	285,652	2,191	866	(488)	288,221

XI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT *(CONTINUED)*

12. Business combination under common control and adjustment for early adoption of amendment to IFRS 1 *(Continued)*

	As previously reported	Adjustment for early adoption of amendment to IFRS 1	Transferred subsidiary	Consolidation adjustments	As restated
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Year ended 31 December 2009					
Revenue	165,018	—	2,399	(1,922)	165,495
Profit before income tax	6,782	(100)	6	—	6,688
Income tax expense	(1,544)	40	4	—	(1,500)
Profit for the year	5,238	(60)	10	—	5,188

12. Business combination under common control and adjustment for early adoption of amendment to IFRS 1 *(Continued)*

	As previously reported	Adjustment for early adoption of amendment to IFRS 1	Transferred subsidiary	Consolidation adjustments	As restated
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
At 31 December 2009					
Assets					
Non-current assets	53,469	2,267	144	—	55,880
Current assets	174,804	11	1,948	(802)	175,961
Total assets	228,273	2,278	2,092	(802)	231,841
Equity					
Capital and reserves					
Share capital	19,110	—	105	(105)	19,110
Reserves	17,759	1,867	(7)	39	19,658
	36,869	1,867	98	(66)	38,768
Non-controlling interests	6,823	419	—	66	7,308
Total equity	43,692	2,286	98	—	46,076
Liabilities					
Non-current liabilities	49,600	(8)	12	—	49,604
Current liabilities	134,981	—	1,982	(802)	136,161
Total liabilities	184,581	(8)	1,994	(802)	185,765
Total equity and liabilities	228,273	2,278	2,092	(802)	231,841

XII. DIVIDENDS

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

XIII. SHARE CAPITAL

(1) Changes in share capital

1. Table of changes in shares

Unit: Share

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

XIII. SHARE CAPITAL *(CONTINUED)*

(1) Changes in share capital *(Continued)*

2. Changes in shares subject to selling restrictions

Unit: Share

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

XIII. SHARE CAPITAL *(CONTINUED)*

(2) Issue and listing of securities

1. Issue of securities in the last three years

Unit: Share

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

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

XIII. SHARE CAPITAL *(CONTINUED)*

(2) Issue and listing of securities *(Continued)*

2. Changes in total number of shares and share capital structure

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

3. Existing internal employee shares

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

(3) Particulars of shareholders and ultimate controlling person

1. Number of Shareholders and their shareholding

(1) Number of Shareholders and their shareholding

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

Particulars of the top 10 Shareholders

Unit: Share

Name of Shareholder	Change during the Reporting Period	Total number of shares held at the end of the period	Percentage	Number of shares subject to selling restrictions held	Number of shares pledged or frozen	Nature of Shareholder
			(%)			
China Metallurgical Group Corporation	0	12,265,108,500	64.18	12,265,108,500	Nil	State-owned legal person
HKSCC Nominees Limited*	-3,152,000	2,854,681,000	14.94		Unknown	Others
The National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	0	350,000,000	1.83	346,500,000	Unknown	State
Baosteel Group Corporation	0	123,891,500	0.65		Unknown	State-owned legal person

XIII. SHARE CAPITAL *(CONTINUED)*

(3) Particulars of shareholders and ultimate controlling person *(Continued)*

1. Number of Shareholders and their shareholding (Continued)

(1) Number of Shareholders and their shareholding (Continued)

Particulars of the top 10 Shareholders *(Continued)*

Unit: Share

Name of Shareholder	Change during the Reporting Period	Total number of shares held at the end of the period	Percentage *(%)*	Number of shares subject to selling restrictions held	Number of shares pledged or frozen	Nature of Shareholder
Industrial and Commercial Bank of China — China Southern Longyuan Industrial Subject Stock Investment Fund（中國工商銀行 — 南方隆元產業主題股票型證券投資基金）	38,660,760	73,931,946	0.39		Unknown	Others
Industrial and Commercial Bank of China — Shanghai Stock Exchange 50 ETF（中國工商銀行 — 上證50交易型開放式指數證券投資基金）	36,621,115	36,621,115	0.19		Unknown	Others
Bank of China - Harvest CSI 300 Index Securities Investment Fund（中國銀行 — 嘉實滬深300指數證券投資基金）	6,791,100	27,926,316	0.15		Unknown	Others
PICC Property and Casualty Company Limited — Traditional-general insurance products-008C-CT001 Shanghai（中國人民財產保險股份有限公司 — 傳統 — 普通保險產品-008C-CT001滬）	6,200,000	22,737,948	0.12		Unknown	Others
Industrial and Commercial Bank of China Limited — Hua Xia Hu Shen 300 Index Securities Investment Fund（中國工商銀行股份有限公司 — 華夏滬深300指數證券投資基金）	6,700,000	20,200,000	0.11		Unknown	Others
Guosen Securities Company Limited	0	17,856,666	0.09		Unknown	Others

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

XIII. SHARE CAPITAL *(CONTINUED)*

(3) Particulars of shareholders and ultimate controlling person *(Continued)*

1. Number of Shareholders and their shareholding (Continued)

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

Unit: Share

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

XIII. SHARE CAPITAL *(CONTINUED)*

(3) Particulars of shareholders and ultimate controlling person *(Continued)*

1. Number of Shareholders and their shareholding (Continued)

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

Unit: Share

Name of Shareholder	Number of shares not subject to selling restrictions held	Type of shares
Industrial and Commercial Bank of China Limited — Hua Xia Hu Shen 300 Index Securities Investment Fund (中國工商銀行股份有限公司 — 華夏滬深300指數證券投資基金)	20,200,000	A Shares
Guosen Securities Company Limited	17,856,666	A Shares
Bank of Communications— E Fund 50 Index Securities Investment Fund (交通銀行 — 易方達50指數證券投資基金)	17,580,064	A Shares
Industrial and Commercial Bank of China — Kaiyuan Equity Fund (中國工商銀行 — 開元證券投資基金)	17,000,000	A Shares

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

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

XIII. SHARE CAPITAL *(CONTINUED)*

(3) Particulars of shareholders and ultimate controlling person *(Continued)*

1. Number of Shareholders and their shareholding (Continued)

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

Unit: Share

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

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

XIII. SHARE CAPITAL *(CONTINUED)*

(3) Particulars of shareholders and ultimate controlling person *(Continued)*

2. Controlling Shareholder and Ultimate Controlling Person

(1) Controlling shareholder

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

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

(2) Ultimate controlling person

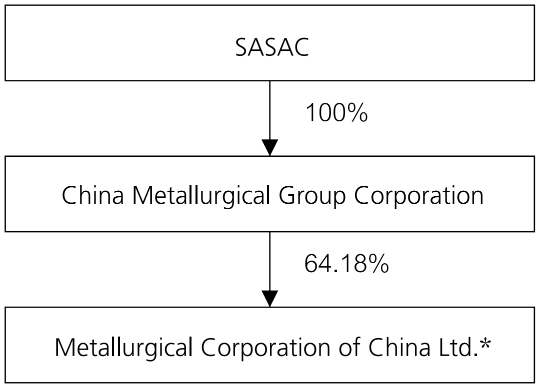
SASAC is the ultimate controlling person of the Company.

(3) Changes of controlling shareholder and ultimate controlling person

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

XIII. SHARE CAPITAL *(CONTINUED)*

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



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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company for the year ended 31 December 2010.

XV. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

At the fifteenth meeting of the Board held on 23 and 24 August 2010, the Risk Management Committee was established. Since then, the Finance and Audit Committee has ceased taking charge of the risk management and internal control system of the Company, which are currently of duties of the newly-established Risk Management Committee, and shifted its focus to coordinating the internal control audit. We note that this is a technical deviation from the Code Provision C3.3(f) of the Code on Corporate Governance Practices contained in Appendix 14 of the Hong Kong Listing Rules.

Except as disclosed above, for the year ended 31 December 2010, the Company had complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Hong Kong Listing Rules.

XVI. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules as the codes governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all Directors and Supervisors, the Company confirms that all Directors and Supervisors had complied with the standard provided by the above Code during the Reporting Period.

XVII. EVENTS AFTER THE YEAR END

China First Metallurgical Group Co., Ltd ("First Metallurgical"), a subsidiary of the Company, undertook engineering and construction projects in The Great Socialist People's Libyan Arab Jamahiriya ("Libya") with a total contract value of approximately RMB5,586 million. In February 2011, there were substantial changes to the security situation in Libya. As the situation in Libya remains uncertain, all projects in Libya of First Metallurgical have been suspended. On 31 December 2010, First Metallurgical recorded assets of approximately RMB221 million in Libya.

The Company has organized evacuation of the Company's employees from Libya under the united arrangement of the PRC government and some expenses will be incurred due to the evacuation. Given the uncertain situation in Libya, the subsequent development of the above projects remains unclear.

XVIII. WORK REVIEW OF THE FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Company and its subsidiaries 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 annual results of the Company and its subsidiaries for the year ended 31 December 2010, which have been reviewed by the Finance and Audit Committee.

XIX. AGM, CLASS MEETINGS OF A SHARES AND H SHARES AND CLOSURE OF H SHARE REGISTER OF MEMBERS

The AGM and the class meetings of A Shares and H Shares will be held on Friday, 17 June 2011. Shareholders whose name appears on the register of members of the Company on Tuesday, 17 May 2011 will be eligible to attend and vote at the AGM and/or the class meetings of A Shares and H Shares to be held on Friday, 17 June 2011. In order to determine the Shareholders who will be qualified for attending and voting at the AGM and/or the class meetings of A Shares and H Shares and receiving the final dividend, the registers of members of the Company will be closed from Wednesday, 18 May 2011 to Friday, 17 June 2011, both days inclusive. All completed transfer documents together with the relevant share certificate(s) 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 Tuesday, 17 May 2011 for registration. For details of the AGM and relevant class meetings, please refer to the notice of AGM and relevant class meetings which is expected to be issued on 11 April 2011.

For the details of the qualification for holders of A Shares to attend the AGM, the Company will make a further notice.

XX. AUDITORS

PricewaterhouseCoopers ("PwC Hong Kong") was appointed as the international auditor of the Group for the year ended 31 December 2010. The figures in respect of the results announcement of the Group for the year ended 31 December 2010 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 2010. 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.

XXI. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual report of the Group for the year ended 31 December 2010 will be available on the website of the Hong Kong Stock Exchange (http://www.hkex.com.hk) and the Company's website (http://www.mccchina.com) on 11 April 2011 for inspection by the Shareholders.

XXII. DEFINITIONS

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

AGM	the annual general meeting of the Shareholders to be held on 17 June 2011
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
Baosteel or Baosteel Group	Baosteel Group Corporation and, except where the context otherwise requires, all of its associates
Board	the board of Directors of the Company

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

independent non-executive Director	a Director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company's affairs
MCC, our Company, the Company	means Metallurgical Corporation of China Ltd.*, a joint stock limited company with limited liability incorporated under the laws of the PRC on 1 December 2008
the Group, Group	means Metallurgical Corporation of China Ltd.* and all of its subsidiaries
Pansteel	Pansteel Group Corporation and, except where the context otherwise requires, all of its associates
Parent	China Metallurgical Group Corporation
Parent Group	China Metallurgical Group Corporation and its subsidiaries
Renminbi or RMB	Renminbi, the lawful currency of the PRC
Reporting Period	from 1 January 2010 to 31 December 2010
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
Shanghai Stock Exchange	the Shanghai Stock Exchange
Shareholder	holder(s) of share(s) of the Company
State Council	the State Council of the People's Republic of China
Supervisor	the supervisor(s) of the Company

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
crude steel	steel product formed upon the earliest stage of solidification, including intermediary products of steel ingots and continuously cast steel slabs
design	application of engineering theories and techno-economic approaches, based on the prevailing technical standards, for conducting all-round design (including requisite non-standardized equipment design) and technoeconomic analysis on newly constructed, expansion and reconstruction projects in respect of their technical process, land construction, civil works and environmental works; provision of design papers and blueprints as the basis for construction work

electric furnace	a furnace that is generally used for smelting, heating or heat-treating steel, steel alloys and non-ferrous metal with high-temperature heat generated by an electric arc
EP	Design-procurement mode in the field of engineering and construction
EPC, EPC contracting	commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be responsible for the quality, safety, timely delivery and cost of the project
EPCM	design, procurement and construction management, which refer to the design, procurement and construction management services provided by contractors to property owners. Construction company enters into contracts with property owners directly and provide construction service. Contractors usually manage such construction service on behalf of property owners. In such case, property owners are mainly responsible for project management, and cost and risk control
iron making	the process to extract metallic iron from iron-containing minerals (mainly ferriferous oxide), including the blast furnace process, direct reduction process, smelt reduction process and plasma process
continuous casting	a technique whereby molten steel is directly cast into steel of specific shapes without cooling, which has significant advantages over traditional casting techniques and increases yield and casting quality and saves energy

Luban Award	the PRC Construction and Engineering Luban Award (National Excellent Projects), which is the highest award for outstanding quality in engineering work in the construction industry in the PRC under two categories, namely, main contractor and key participants, and is assessed by the China Construction Industry Association annually
mineral resources	a concentration or occurrence of minerals of intrinsic economic interest in or on the earth's crust in such form, quality and quantity such that there are reasonable prospects for eventual economic extraction
non-ferrous metals	refers to the group of metals other than ferrous metals (iron, manganese and chromium)
ore	the portion of a reserve from which a metal or valuable metal can be extracted profitably under current or immediately foreseeable economic conditions
commercial concrete	a substitute of concrete with the same price, the industrial production of which, featured by environment-friendly centralized mixing, is popular and professional; it boasts advantages in shortening the production time, reducing energy consumption, saving raw materials, being applicable for additives, improving the utilization rate of equipment and improving the regulation and control of product quality
pig iron	the iron material extracted from the sintered ores or other iron ores in the iron smelting process

sintering	a process whereby iron-bearing materials in the form of powder or grains are evenly mixed with a solvent and burned in a sintering machine to produce ores in certain shapes; the sinter so produced is one of the major raw materials used for iron making in a blast furnace
smelting	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed in ores
social welfare housing	social welfare housing provided by the government to medium- and low-income households with certain restrictions on the eligibility of applicants, construction standards, selling price or rent standards, including, but not limited to, dually restricted commodity housing (with restrictions on price and size), economically affordable housing, policy-based rental housing and low-rent housing
steel making	the process whereby impurities in pig iron and scrap steel are oxidized and removed to an appropriate degree, followed by the addition of iron alloys, to produce a material with appropriate amounts of carbon and constituent elements of the alloys
steel structure	a structure composed of various steel materials connected with each other through welding or bolted joints, which is widely used in industry, civil construction, railways, highways, bridges, power station structural frames, power transmission tower structures, television broadcasting towers, offshore oil platforms, gas pipes, urban infrastructure, national defense construction, and other areas

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

By order of the Board
Metallurgical Corporation of China Ltd.*
Kang Chengye
Joint Company Secretary

Beijing, the PRC
31 March 2011

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

* *For identification purpose only*