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)

2011 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 2011 of the Company and its subsidiaries (collectively the "Group"), which are highlighted as follows:

- Revenue amounted to RMB229,721 million, representing a year-on-year increase of RMB23,324 million or 11.30% from RMB206,397 million in 2010.
- Profit for the year amounted to RMB3,712 million, representing a year-on-year decrease of RMB1,859 million or 33.37% from RMB5,571 million in 2010.
- Profit attributable to equity holders of the Company amounted to RMB4,243 million, representing a year-on-year decrease of RMB1,078 million or 20.26% from RMB5,321 million in 2010.

- Basic earnings per share amounted to RMB0.22, representing a decrease of RMB0.06 or 21.43% from RMB0.28 in 2010.

- As at 31 December 2011, the total assets amounted to RMB332,031 million, representing an increase of RMB43,810 million or 15.20% from RMB288,221 million in 2010.

- As at 31 December 2011, the total equity amounted to RMB58,175 million, representing an increase of RMB4,663 million or 8.71% from RMB53,512 million in 2010.

- Newly-signed contract value amounted to RMB286,658 million, representing an increase of RMB1,644 million or 0.58% from RMB285,014 million in 2010, including USD2,986 million of newly-signed overseas contracts.

I. CORPORATE INFORMATION

Registered company name (in Chinese)	中國冶金科工股份有限公司
Abbreviation in Chinese	中國中冶
Company name (in English)	Metallurgical Corporation of China Ltd.*
Abbreviation in English	MCC
Legal representative of the Company	Shen Heting
Registered address	28 Shuguang Xili, Chaoyang District Beijing
First registration date of the Company	1 December 2008
Business address in the PRC	MCC Tower 28 Shuguang Xili, Chaoyang District Beijing, PRC

Place of business in Hong Kong	Room 3205, 32/F Office Tower Convention Plaza 1 Harbour Road, Wanchai, Hong Kong
Website address of the Company	http://www.mccchina.com
E-mail	ir@mccchina.com
Joint company secretaries	Kang Chengye, Ma Sau Kuen Gloria
Contact address	MCC Tower 28 Shuguang Xili, Chaoyang District Beijing, PRC
Tel	86-10-59868666
Fax	86-10-59868999
Places of listing	The Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange
Abbreviation of stock name	MCC
Stock codes	1618 (Hong Kong), 601618 (Shanghai)
H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited
Address of H Share registrar and transfer office	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
PRC auditor	PricewaterhouseCoopers Zhong Tian CPAs Limited Company

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

II. BUSINESS REVIEW

(I) Business Segments of the Group

1. Engineering and Construction Business

(1) Industry Overview

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

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

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

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

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

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

Unit: RMB00' million

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

Metallurgical Engineering and Construction Market

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

Non-metallurgical Engineering and Construction Market

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

Overseas Engineering Market Expansion

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

Awards

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

Awards of engineering and construction of the Group for 2011

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

2. *Equipment Manufacturing Business*

(1) Industry Overview

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

Following the promulgation of important documents such as The Opinions on Accelerating the Invigoration of the Equipment Manufacturing Industry promulgated by the State Council (《國務院關於加快振興裝備製造業的若干意見》) , the Plan on the Overhaul and Invigoration of the Equipment Manufacturing Industry《裝備製造業調整和振興規劃》and the Catalogue of Autonomous Innovation of Major Technological Equipment (《重大技術裝備自主創新指導目錄》), the state later prepared or issued documents including the Twelfth Five-year Plan of the High-end Equipment Manufacturing Industry (《高端裝備製造業"十二五"規劃》) and the Twelfth Five-year Plan of Energy-saving and Environmental Protection (《節能環保"十二五"規劃》), which enlisted the high-end equipment manufacturing industry as one of the national strategic emerging industries that require key development at the current stage of the state, thus promoting the structural upgrade of the equipment manufacturing industry. Encouraged by national policies and driven by the market demand, the invigoration of the high-end equipment manufacturing industry with advanced technology, high added value, core position in the industrial chain and ability to achieve synergy with related industries will constitute a key link in the industrial upgrade of equipment manufacturing, which is promising from a long-term perspective.

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

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

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

Unit: RMB00' million

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

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

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

3. *Resources development business*

(1) Industry overview

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

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

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

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

Unit: 0'000 tons

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

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

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

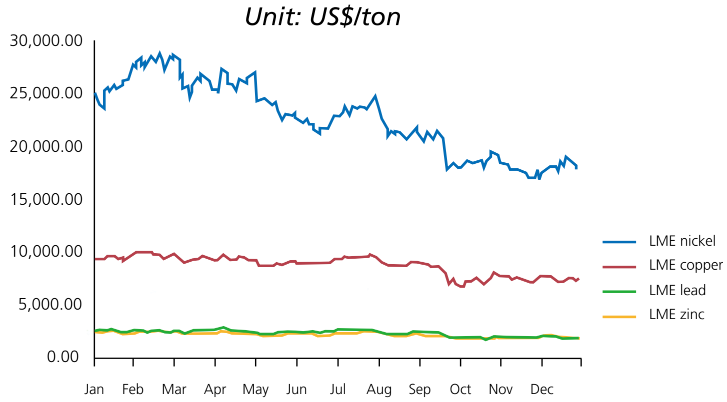
According to the estimates of China Iron & Steel Association, the output of crude steel for 2011 amounted to 683,270,000 tons, representing a year-on-year increase of 44,000,000 tons or 6.9%. According to the statistics of General Administration of Customs, the imported iron ores for 2011 amounted to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

The average CIF (Cost Insurance and Freight) price of the imported iron ores for the period from January to November in 2011 was US$166.2/ton, representing a year-on-year increase of 31.5%. In December, the price of iron ore concentrates was RMB985.99/ton while the CIF price of imported iron ore powder was US$136.32/ton. China Iron & Steel Association expects that the iron ore price will subsequently fluctuate within a low range.

The national output of ten non-ferrous metals for 2011 amounted to 34,240,000 tons, representing a year-on-year increase of 10.6%, 6.7 percentage points lower in terms of growth rate than that for the same period last year. In particular, copper output increased by 14.2%, 2 percentage points higher in terms of growth rate than that for last year. Lead output increased by 12.5%, 2.7 percentage points higher in terms of growth rate than that for last year. Zinc output increased by 3.8%, 15.9 percentage points lower than that for last year. According to the Twelfth Five-year Plan for the Non-ferrous Metals Industry (《有色金屬工業"十二五"發展規劃》), by the end of the Twelfth Five-year period, the output of the ten non-ferrous metals will be capped at around 46,000,000 tons, according to which the average annual growth rate will be 8%.

Cash Settlement Price Charts of LME in 2011

Unit: US$/ton



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

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

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

The segment result of the resource development segment in 2011

Unit: RMB00' million

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

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

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

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

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

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

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

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

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

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

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

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

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

4. *Property Development Business*

(1) Industry Overview

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

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

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

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

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

The segment result of the property development segment in 2011

Unit: RMB00'million

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

Detailed operating results of the property development segment in 2011

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

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

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

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

III. FINANCIAL REVIEW

(I) OVERVIEW

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

- Revenue amounted to RMB229,721 million, representing a year-on-year increase of RMB23,324 million or 11.30% from RMB206,397 million in 2010.

- Profit for the year amounted to RMB3,712 million, representing a year-on-year decrease of RMB1,859 million or 33.37% from RMB5,571 million in 2010.

- Profit attributable to equity holders of the Company amounted to RMB4,243 million, representing a year-on-year decrease of RMB1,078 million or 20.26% from RMB5,321 million in 2010.

- Basic earnings per share amounted to RMB0.22, representing a decrease of RMB0.06 or 21.43% from RMB0.28 in 2010.

- As at 31 December 2011, the total assets amounted to RMB332,031 million, representing an increase of RMB43,810 million or 15.20% from RMB288,221 million in 2010.

- As at 31 December 2011, the total equity amounted to RMB58,175 million, representing an increase of RMB4,663 million or 8.71% from RMB53,512 million in 2010.

- Newly-signed contract value amounted to RMB286,658 million, representing an increase of RMB1,644 million or 0.58% from RMB285,014 million in 2010, including USD2,986 million of newly-signed overseas contracts.

(II) REVENUE FROM PRINCIPAL BUSINESS SEGMENTS

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

- *Engineering and construction business*

  Segment Revenue amounted to RMB180,646 million, representing an increase of RMB22,265 million or 14.06% from RMB158,381 million in 2010.

- *Equipment manufacturing business*

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

- *Resources development business*

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

- *Property development business*

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

- *Other businesses*

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

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

IV. RISK FACTORS

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

1. Trends of Global and National Macro Economies

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

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

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

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

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

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

3. Changes in State Policy on Taxation and Exchange Rate

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

(1) The Influence of Changes in Policy on Taxation

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

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

(2) The Influence of Monetary Policy

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

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

4. Changes in Major Raw Material Prices

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

5. Construction Subcontracting Expense

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

6. State of Operation of Subsidiaries and Key Projects

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

7. Enhancement in Operation Management Quality

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

8. Non-even Distribution of Income

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

V. PROSPECTS

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

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

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

VI. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Overview

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

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

(II) Consolidated operating results

1. Revenue

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

2. Cost of sales and gross profit

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

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

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

3. *Operating profit*

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

4. *Finance income*

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

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 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 RMB1,452 million or 50.49% from RMB2,876 million for 2010 to RMB4,328 million for 2011, mainly attributable to the increase in interest expense on borrowings as a result of the rise of financial cost.

6. Share of profits of associates

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

7. Profit before income tax

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

8. Income tax expense

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

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

Profit/(loss) attributable to non-controlling interests represent the interests of outside shareholders in the results of operations of non-wholly owned subsidiaries of the Company. The Loss attributable to non-controlling interests for 2011 amounted to RMB531 million, while the profit attributable to non-controlling interests for 2010 amounted to RMB250 million.

10. Profit attributable to equity holders of the Company

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

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

(III) Discussion of results by segment

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

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

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

1. Engineering and construction

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

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

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

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

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

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

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

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

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

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

2. *Equipment manufacturing*

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

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

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

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

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

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

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

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

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

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

3. Resources development

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

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

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

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

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

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

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

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

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

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

4. Property development business

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

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

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

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

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

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

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

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

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

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

5. *Other businesses*

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

The following table sets forth the principal result information for other businesses for the years ended 31 December 2011 and 2010.

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

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

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

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

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

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

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

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

(IV) Liquidity and capital resources

The 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 2011 and 2010.

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

2. *Cash flows from operating activities*

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

3. *Cash flows from investing activities*

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

4. *Cash flows from financing activities*

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

5. *Capital expenditures*

The 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 of the Group by business for the years ended 31 December 2011 and 2010 respectively.

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

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

6. Working capital

Trade receivables and trade payables.

The following table sets forth the turnover days of the average trade receivables and the turnover days of the average trade payables of the Group for the year ended 31 December 2011 and 2010.

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

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

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

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

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

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

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

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

7. Retentions

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

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

(V) Indebtedness

1. Borrowings

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

	As at 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Non-current		
Long-term bank borrowings		
— Secured *(Note 1)*	**6,200**	4,379
— Unsecured	**24,634**	23,552
	30,834	27,931
Other long-term borrowings		
— Secured *(Note 1)*	**75**	—
— Unsecured	**212**	6,562
— Debentures *(Note 2(i))*	**21,364**	18,182
	21,651	24,744

	As at 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Total non-current borrowings	**52,485**	52,675
Current		
Short-term bank borrowings		
— Secured *(Note 1)*	**2,824**	3,323
— Unsecured	**42,171**	18,995
	44,995	22,318

	As at 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Other short-term borrowings		
— Secured *(Note 1)*	**1,315**	—
— Unsecured	**5,200**	4,952
— Debentures *(Note 2(ii))*	**17,000**	18,350
	23,515	23,302
Current portion of long-term bank borrowings		
— Secured *(Note 1)*	**2,274**	717
— Unsecured	**7,292**	6,380
	9,566	7,097

	As at 31 December	
	2011	2010
	(RMB million)	*(RMB million)*
Current portion of other long-term borrowings — Unsecured	**6,600**	532
	6,600	532
Total current borrowings	**84,676**	53,249
Total borrowings	**137,161**	105,924

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

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

As approved by Zhong Shi Xie Zhu [2010] No. MTN90 which was issued by the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Medium-Term Notes ("MTN") for 2010 on 19 September 2010 at a discounted price of RMB9,982 million with a par value of RMB10,000 million, with a maturity of ten years from issuance and interest rate of 3.95% per annum and with the issuer's redemption rights at the end of fifth year. If the Company does not exercise its redemption rights in the fifth year, the coupon rate of the MTN for the 6th year to the 10th year will increase to 5.09%.

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

MCC Holding (Hong Kong) Co., Ltd. issued US dollar debentures for 2010 on 29 July 2011 at a discounted price of US$497 million with a par value of US$500 million, with a maturity of five years from issuance. The debentures bear interests at a rate of 4.875% per annum. The debentures are guaranteed by the Parent. Interest will be paid every half year and principal will be paid upon maturity date.

Note 2(ii): As approved by Zhong Shi Xie Zhu No. [2010] CP68 which was issued by the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Short-Term Debentures for 2011 on 3 August 2011 at par value of RMB4,000 million, with a maturity of one year from issuance. The debentures are unsecured, and bear interests at a fixed rate of 5.71% per annum. Principal and interests are paid upon maturity date.

As approved by Zhong Shi Xie Zhu No. [2010] CP157 which was issued by the National Association of Financial Market Institutional Investors, the Company issued Tranche II Short-Term Debentures for 2011 on 30 August 2011 at par value of RMB3,000 million, with a maturity of one year from issuance. The debentures are unsecured and bear interests at a rate of 5.78% per annum. Principal and interests are paid upon maturity date.

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

2. *Financial Guarantee*

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

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

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

Note 2: The Group considers that the repayment was on schedule and risk of default in payment was remote. Therefore no provision has been made in the financial statements for the guarantees.

3. Contingencies

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

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

VI. Market Risks

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

1. Foreign exchange risk

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

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

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

As at 31 December 2011, if RMB had strengthened by 5% (2010: 5%) against US dollar, HK dollar, Singapore dollar and other foreign currencies with all other variables held constant, which were considered reasonably possible by management, the profit after tax for the year ended 31 December 2011 would have been approximately RMB233 million higher (2010: RMB393 million higher), mainly as a result of foreign exchange losses/gains on translation of US dollar, HK dollar, Singapore dollar and other foreign currencies denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings.

2. *Interest rate risk*

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

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

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

As at 31 December 2011, if the interest rate on RMB-denominated borrowings and US dollar-denominated borrowings had been 100 basis points higher with all other variables held constant, which was considered reasonably possible by management, profit after income tax for the year ended 31 December 2011 would have been RMB178 million lower and RMB24 million lower respectively, mainly as a result of higher interest expenses on bank borrowings and trade and other payables, mainly amounts due to related parties.

3. Price risk

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

The following table details the Group's sensitivity to a 10% increase or 10% decrease in equity price on the available-for-sale financial assets or financial assets at fair value through profit or loss at each balance sheet date while all other variables were held constant. Management has used 10% to illustrate the equity price risk as the fluctuation in equity price is unpredictable.

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

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

4. *Credit risk*

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

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

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

5. *Liquidity risk*

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

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 *RMB million*	Between 1 and 2 years *RMB million*	Between 2 and 5 years *RMB million*	Over 5 years *RMB million*	Total *RMB million*
As at 31 December 2011					
Borrowings	85,659	13,467	23,682	25,349	148,157
Trade and other payables	74,622	357	—	—	74,979
	160,281	13,824	23,682	25,349	223,136
As at 31 December 2010					
Borrowings	53,249	17,339	23,809	22,684	117,081
Trade and other payables	72,836	855	—	—	73,691
	126,085	18,194	23,809	22,684	190,772

VII. CONSOLIDATED BALANCE SHEET

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

VII. CONSOLIDATED BALANCE SHEET *(CONTINUED)*

		As at 31 December	
		2011	2010
	Note	***RMB 'million***	*RMB 'million*
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**19,110**	19,110
Reserves		**29,093**	25,861
— Proposed dividend		**—**	898
— Other reserves		**29,093**	24,963
		48,203	44,971
Non-controlling interests		**9,972**	8,541
Total equity		**58,175**	53,512
LIABILITIES			
Non-current liabilities			
Borrowings	12	**52,485**	52,675
Deferred income		**1,636**	801
Retirement and other supplemental benefit obligations		**5,405**	5,612
Provisions for other liabilities and charges		**79**	55
Trade and other payables	11	**357**	855
Deferred income tax liabilities		**524**	545
		60,486	60,543

VII. CONSOLIDATED BALANCE SHEET *(CONTINUED)*

		As at 31 December	
		2011	2010
	Note	***RMB 'million***	*RMB 'million*
Current liabilities			
Trade and other payables	11	**114,773**	106,314
Amounts due to customers for contract work		**11,825**	12,722
Current income tax liabilities		**1,464**	1,278
Borrowings	12	**84,676**	53,249
Retirement and other supplemental benefit obligations		**632**	603
		213,370	174,166
Total liabilities		**273,856**	234,709
Total equity and liabilities		**332,031**	288,221
Net current assets		**26,314**	40,828
Total assets less current liabilities		**118,661**	114,055

VIII. CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2011	2010
	Note	***RMB 'million***	*RMB 'million*
Revenue	3	**229,721**	206,397
Cost of sales	5	**(208,567)**	(185,635)
Gross profit		**21,154**	20,762
Selling and marketing expenses	5	**(1,836)**	(1,530)
Administrative expenses	5	**(11,839)**	(9,689)
Other income		**1,400**	1,112
Other gains/(losses) — net	6	**621**	(21)
Other expenses		**(188)**	(198)
Operating profit		**9,312**	10,436
Finance income	4	**1,643**	849
Finance costs	4	**(4,328)**	(2,876)
Share of profits of associates		**56**	134
Profit before income tax		**6,683**	8,543
Income tax expense	7	**(2,971)**	(2,972)
Profit for the year		**3,712**	5,571

VIII. CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

		Year ended 31 December	
		2011	2010
	Note	***RMB 'million***	*RMB 'million*
Attributable to:			
Equity holders of the Company		**4,243**	5,321
Non-controlling interests		**(531)**	250
		3,712	5,571
Earnings per share for profit attributable to the equity holders of the Company			
— Basic earnings per share *(RMB)*	9	**0.22**	0.28
— Diluted earnings per share *(RMB)*	9	**0.22**	0.28
Dividends	8	**—**	898

IX. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

X. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital *RMB 'million*	Capital premium *RMB 'million*	Other reserves *RMB 'million*	Retained earnings *RMB 'million*	Sub total *RMB 'million*	Non-controlling interests *RMB 'million*	Total *RMB 'million*
		Attributable to equity holders of the Company						
At 1 January 2010		19,110	16,949	323	2,386	38,768	7,308	46,076
Profit for the year		—	—	—	5,321	5,321	250	5,571
Other comprehensive income:								
Fair value gains/(losses) on available-for-sale financial assets, net of tax		—	—	7	—	7	(11)	(4)
Currency translation differences		—	—	(56)	—	(56)	(14)	(70)
Total comprehensive income for the year		—	—	(49)	5,321	5,272	225	5,497
Transaction with owners								
Dividends	8	—	—	—	—	—	(398)	(398)
Transaction with non-controlling interests		—	—	(23)	—	(23)	(82)	(105)
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	—	897	897
Liquidation/disposal of subsidiaries		—	—	—	—	—	(15)	(15)
Investments in subsidiaries transferred to investments in associates		—	—	—	—	—	(23)	(23)
Additional capital injection from owners and non-controlling interests proportionally		—	—	—	—	—	635	635
Business combination under common control		—	—	(39)	—	(39)	(6)	(45)
Appropriations		—	—	102	(102)	—	—	—
Capital contribution		—	999	—	—	999	—	999
Others		—	—	(6)	—	(6)	—	(6)
Total transaction with owners		—	999	34	(102)	931	1,008	1,939
At 31 December 2010		19,110	17,948	308	7,605	44,971	8,541	53,512

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

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

XI. CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Cash flows from operating activities		
Cash used in operations	**(9,403)**	(22,131)
Income tax paid	**(3,228)**	(2,990)
Net cash used in operating activities	**(12,631)**	(25,121)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(8,612)**	(9,166)
Purchases of land use rights	**(393)**	(445)
Purchases of mining rights	**(505)**	(294)
Purchases of investment properties	**(2)**	(2)
Purchases of intangible assets	**(539)**	(1,174)
Purchases of available-for-sale financial assets	**(569)**	(242)
Purchases of held-to-maturity financial assets	**—**	(538)
Increase in investment in associates	**(120)**	(258)
Net cash outflow for acquisition of subsidiaries	**—**	(25)
Net cash outflow for business combination under common control	**—**	(45)
Prepayment for investments	**—**	(1,099)
Amounts received from related parties and third parties	**20**	153
Proceeds from disposal of property, plant and equipment	**239**	154
Proceeds from disposal of land use rights	**202**	47
Proceeds from disposal of mining rights	**8**	—
Proceeds from disposal of investment properties	**29**	4
Proceeds from disposal of intangible assets	**11**	—
Proceeds from disposal of available-for-sale financial assets	**652**	287
Proceeds from held-to-maturity financial assets upon maturity date	**272**	596

XI. CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Net cash inflow from disposal of investment in associates	**1**	2
Net cash outflow from losing control of subsidiaries	**(40)**	(25)
Net cash inflow on disposal of subsidiaries	**794**	57
Net cash inflow of withdraw the prepayment for investments	**—**	251
Transaction with non-controlling interests	**(235)**	(147)
Dividends received	**147**	80
Net cash inflow from asset related government grants	**765**	494
Net cash used in investing activities	**(7,875)**	(11,335)
Cash flows from financing activities		
Proceeds from borrowings	**98,847**	114,339
Repayments of borrowings	**(69,536)**	(79,749)
Contribution received from non-controlling interests	**2,839**	1,266
Dividends paid	**(1,251)**	(320)
Interest paid	**(6,572)**	(4,434)
Capital contribution	**—**	999
Changes in restricted cash	**(308)**	(928)
Net cash (outflow)/inflow from finance leases	**(30)**	5
Net cash generated from financing activities	**23,989**	31,178
Net increase/(decrease) in cash and cash equivalents	**3,483**	(5,278)
Cash and cash equivalents at beginning of the year	**39,302**	44,740
Exchange losses on cash and cash equivalents	**(64)**	(160)
Cash and cash equivalents at end of the year	**42,721**	39,302

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

(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.

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(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 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.

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

2.1 Basis of preparation (Continued)

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

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

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

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

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

2.1 Basis of preparation (Continued)

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

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

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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.

The "others" segment mainly comprises other businesses including the trading for import and export. Neither of these constitutes a separately reportable segment.

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

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

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

3. Segment information *(Continued)*

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

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

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

3. Segment information *(Continued)*

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

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

3. Segment information *(Continued)*

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

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

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB 'million*	*RMB 'million*
Depreciation	1,100	558	527	44	21	2,250
Amortisation	189	30	130	1	23	373
Provision for impairment of property, plant and equipment	6	13	51	—	—	70
Provision for impairment of inventories	13	13	271	—	17	314
Foreseeable losses on construction contracts	120	—	—	—	—	120
Provision for impairment of trade and other receivables	869	57	71	36	11	1,044
Provision for impairment of land use rights	40	—	—	—	—	40
Provision for impairment of goodwill	—	—	—	42	—	42

3. Segment information *(Continued)*

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

The segment assets and liabilities as at 31 December 2011 and additions to non-current assets for the year then ended are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Assets							
Segment assets	204,455	23,172	35,367	98,780	21,504	(57,700)	325,578
Interests in associates	1,368	—	2	610	—	—	1,980
Unallocated assets							4,473
Total assets							332,031
Liabilities							
Segment liabilities	186,076	15,487	30,090	80,797	18,162	(57,280)	273,332
Unallocated liabilities							524
Total liabilities							273,856
Additions to non-current assets	4,547	2,386	3,836	160	16	—	10,945

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

3. **Segment information** *(Continued)*

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

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

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

3. Segment information *(Continued)*

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

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

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

3. Segment information *(Continued)*

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

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

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB 'million*	*RMB 'million*
Depreciation	937	290	482	29	20	1,758
Amortisation	206	21	87	2	19	335
Provision for impairment of property, plant and equipment	—	—	—	—	15	15
Provision for impairment of inventories	1	49	108	—	—	158
Foreseeable losses on construction contracts	65	—	—	—	—	65
Provision for impairment of trade and other receivables	798	50	38	34	12	932
Provision for impairment of goodwill	—	—	—	227	—	227

3. Segment information *(Continued)*

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

The segment assets and liabilities as at 31 December 2010 and additions to non-current assets for the year then ended are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
Assets							
Segment assets	177,903	20,769	35,789	74,960	19,134	(45,858)	282,697
Interests in associates	1,202	8	2	603	—	—	1,815
Unallocated assets							3,709
Total assets							288,221
Liabilities							
Segment liabilities	161,830	14,305	30,055	58,022	15,643	(45,691)	234,164
Unallocated liabilities							545
Total liabilities							234,709
Additions to non-current assets	4,807	2,354	5,173	107	667	—	13,108

3. Segment information *(Continued)*

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

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

	Assets	**Liabilities**
	RMB 'million	***RMB 'million***
Segment assets/liabilities	282,697	234,164
Investments in associates	1,815	–
Unallocated:		
Deferred income tax	2,161	545
Available-for-sale financial assets	1,548	–
Total	288,221	234,709

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

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

4. Finance income and costs

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Interest expense		
— Bank borrowings wholly repayable within 5 years	**5,084**	3,667
— Bank borrowings repayable over 5 years	**1,230**	663
— Other borrowings	**578**	275
	6,892	4,605
Less: Amounts capitalised in construction-in-progress *(a)*	**(407)**	(495)
Less: Amounts capitalised in properties under development *(b)*	**(2,399)**	(1,326)
	4,086	2,784
Net foreign exchange gains on borrowings	**(32)**	(77)
Discount charges on bank acceptance notes	**274**	169
Finance costs	**4,328**	2,876
Interest income on bank deposits	**(1,631)**	(717)
Interest income on held-to-maturity financial assets	**—**	(1)
Interest income on loans to related parties	**(7)**	(75)
Gain from debt restructuring	**(5)**	(55)
Others	**—**	(1)
Finance income	**(1,643)**	(849)
Finance costs, net	**2,685**	2,027

4. Finance income and costs *(Continued)*

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

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

5. Expenses by nature

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Raw materials, purchased equipment and consumables used	**94,498**	92,790
Changes in inventories of finished goods and work-in-progress	**(15,079)**	(23,563)
Subcontracting charges	**98,827**	89,922
Employee benefits	**15,537**	13,188
Depreciation of property, plant and equipment	**2,209**	1,723
Fuel and heating expenditure	**1,208**	716
Business tax and other transaction taxes	**6,044**	5,666
Travelling expenses	**1,686**	1,382
Office expenses	**2,012**	1,781
Transportation costs	**882**	796
Operating lease rentals	**4,935**	4,443
Research and development costs	**2,243**	1,794
Repairs and maintenance	**1,177**	1,045
Advertising expenditure	**489**	348
Foreseeable losses on construction contracts	**120**	65
Amortisation of land use rights	**183**	177
Amortisation of mining rights	**81**	39

5. Expenses by nature *(Continued)*

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Amortisation of intangible assets	**109**	119
Depreciation of investment properties	**41**	35
Provision for impairment of trade and other receivables	**1,044**	932
Provision for impairment of inventories	**314**	158
Provision for impairment of property, plant and equipment	**70**	15
Provision for impairment of goodwill	**42**	227
Provision for impairment of land use rights	**40**	—
Insurance expenditure	**119**	122
Bank charges relating to operating activities	**417**	220
Professional and technical consulting fees	**707**	657
Auditors' remuneration	**57**	51
Others	**2,230**	2,006
Total cost of sales, selling and marketing expenses and administrative expenses	**222,242**	196,854

6. Other gains/(losses) — net

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

7. Taxation

(a) Income tax expense

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit in Hong Kong for the year.

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 25% on the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries were exempted or taxed at preferential rate of 7.5% to 15%.

Taxation of overseas companies within the Group has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries or jurisdictions in which these companies operate.

The amount of income tax expense charged to the consolidated income statement represents:

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Current income tax:		
— PRC enterprise income tax	**2,810**	2,421
— Overseas taxation	**16**	10
	2,826	2,431
Deferred income tax	**(385)**	(313)
PRC land appreciation tax *(d)*	**530**	854
	2,971	2,972

7. Taxation *(Continued)*

(a) Income tax expense (Continued)

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

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Profit before income tax	**6,683**	8,543
Tax calculated at the statutory tax rate of 25%	**1,671**	2,136
Effect of difference between applicable tax rate and statutory tax rate to Group companies	**(488)**	(480)
Tax losses and other temporary differences for which no deferred income tax asset was recognised and reversal of deferred income tax assets on tax losses recognised before	**1,340**	817
Income not subject to taxation	**(56)**	(54)
Expense not deductible for tax purpose	**286**	155
Additional tax relief	**(168)**	(151)
Utilisation of previously unrecognised tax losses and other temporary differences	**(20)**	(97)
Effect of higher tax rate for the appreciation of land in the PRC	**398**	641
Others	**8**	5
Income tax expense	**2,971**	2,972

7. 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.

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

7. Taxation *(Continued)*

(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.

8. Dividends

No dividend for the year ended 2011 was declared by the Board of Directors.

A 2010 final dividend of RMB0.047 per ordinary share, totalling RMB898 million, was approved by the Company's shareholders in the annual general meeting on 17 June 2011.

9. Earnings per share

(a) Basic

Basic earnings per share for the year ended 31 December 2011 and 2010 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Profit attributable to equity holders of the Company	**4,243**	5,321
Weighted average number of ordinary shares in issue *(million)*	**19,110**	19,110
Basic earnings per share *(RMB)*	**0.22**	0.28

(b) Diluted

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

10. Trade and other receivables

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Trade receivables		
Trade receivables	**67,219**	49,521
Retentions	**2,093**	1,979
Notes receivables	**11,230**	10,274
	80,542	61,774
Less: Provision for impairment	**(4,374)**	(3,607)
Trade receivables — net	**76,168**	58,167
Other receivables		
Prepayments to suppliers	**19,875**	22,607
Deposits	**8,319**	8,649
Amounts due from related parties and third parties	**1,518**	1,848
Staff advances	**596**	702
Prepayment for investments	**1,867**	2,606
Others	**2,868**	970
	35,043	37,382
Less: Provision for impairment	**(1,092)**	(887)
Other receivables — net	**33,951**	36,495

10. Trade and other receivables *(Continued)*

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Total trade and other receivables	**110,119**	94,662
Less: Non-current portion		
— Trade and other receivables	**(21,961)**	(9,577)
— Retentions	**(278)**	(695)
	(22,239)	(10,272)
Current portion	**87,880**	84,390

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

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

11. Trade and other payables

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Trade payables	**61,309**	59,736
Other payables		
Accrued payroll and related expenses	**2,574**	1,934
Accrued expenses	**768**	694
Purchase deposits from customers	**32,719**	29,004
Deposits payable	**4,832**	4,193
Rental payable	**248**	297
Utilities payable	**364**	289
Repair and maintenance payable	**450**	393
Other taxes payable	**4,858**	3,395
Long-term payables due to third parties	**566**	2,574
Others	**6,442**	4,660
	53,821	47,433
Total trade and other payables	**115,130**	107,169
Less: Non-current portion:		
Other payables	**(357)**	(855)
Current portion	**114,773**	106,314

11. Trade and other payables *(Continued)*

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

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Within 1 year	**46,958**	47,145
1 year to 2 years	**9,060**	7,895
2 years to 3 years	**2,821**	3,030
Over 3 years	**2,470**	1,666
	61,309	59,736

12. Borrowings

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Non-current		
Long-term bank borrowings		
— Secured	**6,200**	4,379
— Unsecured	**24,634**	23,552
	30,834	27,931
Other long-term borrowings		
— Secured	**75**	—
— Unsecured	**212**	6,562
— Debentures	**21,364**	18,182
	21,651	24,744
Total non-current borrowings	**52,485**	52,675

12. Borrowings *(Continued)*

	As at 31 December	
	2011	2010
	RMB 'million	*RMB 'million*
Current		
Short-term bank borrowings		
— Secured	**2,824**	3,323
— Unsecured	**42,171**	18,995
	44,995	22,318
Other short-term borrowings		
— Secured	**1,315**	—
— Unsecured	**5,200**	4,952
— Debentures	**17,000**	18,350
	23,515	23,302
Current portion of long-term bank borrowings		
— Secured	**2,274**	717
— Unsecured	**7,292**	6,380
	9,566	7,097
Current portion of other long-term borrowings		
— Unsecured	**6,600**	532
	6,600	532
Total current borrowings	**84,676**	53,249
Total borrowings	**137,161**	105,924

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

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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

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

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

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

XIII. DIVIDENDS

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

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

XIV. SHARE CAPITAL

(I) Number of Shareholders and their shareholding

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

1. Particulars of the top 10 Shareholders (Note1)

Unit: Share

Name of Shareholder	Change during the Reporting Period	Total number of shares held at the end of the period	Percentage	Number of shares subject to selling restrictions held	Status of shares pledged or frozen	Nature of Shareholder
			(%)			
China Metallurgical Group Corporation	0	12,265,108,500	64.18	12,265,108,500	Nil	State-owned legal person
HKSCC Nominees Limited *(Note 2)*	-15,906,000	2,838,775,000	14.85	—	Unknown	Others
The National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	-3,500,000	346,500,000	1.82	346,500,000	Unkown	State
Baosteel Group Corporation	0	123,891,500	0.65	—	Unknown	State-owned legal person
PICC Health Insurance Company Limited — traditional — general insurance product (中國人民健康保險股份有限公司 — 傳統 — 普通保險產品)	36,701,580	45,655,233	0.24	—	Unknown	Others
PICC Life Insurance Company Limited — Dividend — Dividend of Group Insurance (中國人民人壽保險股份有限公司 — 分紅 — 團險分紅)	32,992,725	44,224,263	0.23	—	Unknown	Others
PICC Property and Casualty Company Limited — traditional — general insurance products —008C—CT001 Shanghai (中國人民財產保險有限公司 — 傳統 — 普通保險產品 — 008C—CT001滬)	20,500,270	43,238,218	0.23	—	Unknown	Others
PICC Life Insurance Company Limited — dividend — Dividend of Individual Insurance (中國人民人壽保險股份有限公司 — 分紅 — 個險分紅)	24,633,028	36,464,566	0.19	—	Unknown	Others
ICBC — Guang Fa Large-cap Growth Mixed Securities Investment Fund (中國工商銀行 — 廣發大盤成長混合型證券投資基金)	33,000,000	33,000,000	0.17	—	Unknown	Others
China Construction Bank — China AMC Dividend Mixed Open-end Securities Fund (中國建設銀行 — 華夏紅利混合型開放式證券投資基金)	27,147,049	27,147,049	0.14	—	Unknown	Others

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

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

XIV. SHARE CAPITAL *(CONTINUED)*

(I) Number of Shareholders and their shareholding *(Continued)*

2. Particulars of top 10 holders of shares not subject to selling restrictions(Note 1)

Unit: Share

Name of Shareholder	Number of shares not subject to selling restrictions held	Type of shares
HKSCC Nominees Limited(Note 2)	2,838,775,000	H Shares
Baosteel Group Corporation	123,891,500	A Shares
PICC Health Insurance Company Limited — Traditional — general insurance product (中國人民健康保險股份有限公司 — 傳統 — 普通保險產品)	45,655,233	A Shares
PICC Life Insurance Company Limited — Dividend — dividend of group insurance (中國人民人壽保險股份有限公司 — 分紅 — 團險分紅)	44,224,263	A Shares
PICC Property and Casualty Company Limited — Traditional — general insurance products—008C—CT001 Shanghai (中國人民財產保險股份有限公司—傳統—普通保險產品— 008C — CT001滬)	43,238,218	A Shares
PICC Life Insurance Company Limited — dividend — Dividend of Individual Insurance (中國人民人壽保險股份有限公司 — 分紅 — 個險分紅)	36,464,566	A Shares
ICBC — Guang Fa Large-cap Growth Mixed Securities Investment Fund (中國工商銀行 — 廣發大盤成長混合型證券投資基金)	33,000,000	A Shares
China Construction Bank — China AMC Dividend Mixed Open-end Securities Fund (中國建設銀行 — 華夏紅利混合型開放式證券投資基金)	27,147,049	A Shares
Bank of China — Harvest CSI 300 Index Securities Investment Fund (中國銀行 — 嘉實滬深300指數證券投資基金)	26,657,516	A Shares
PICC Life Insurance Company Limited — proprietary funds (中國人民人壽保險股份有限公司 — 自有資金)	23,351,333	A Shares

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

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

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

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

Unit: Share

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

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

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

(2) Specifications on Controlling Shareholder and Ultimate Controlling Person

1. Controlling shareholder

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

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

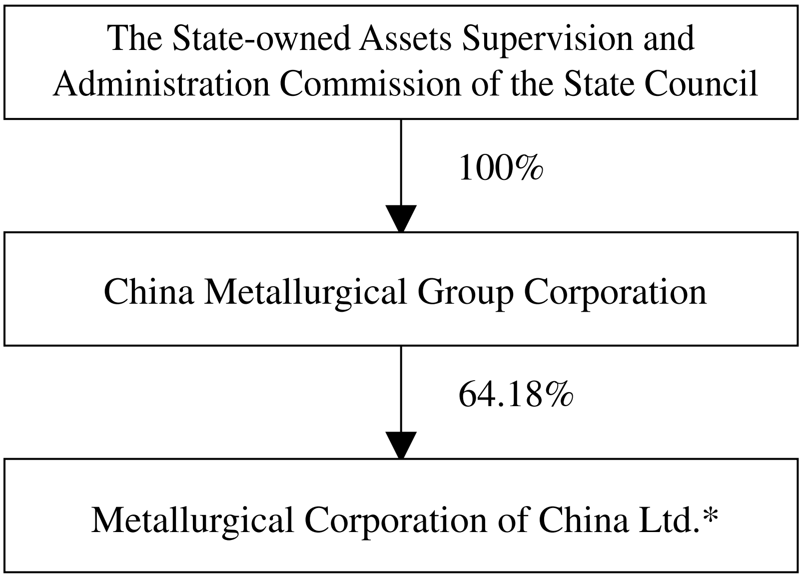
2. Ultimate controlling person

SASAC is the ultimate controlling person of the Company.

3. Changes of controlling shareholder and ultimate controlling person

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

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



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

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

XV. PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2011.

XVI. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

The Board has reviewed the corporate governance report of the Company. Except for the requirement that each director shall be subject to retirement by rotation at least once every 3 years as set out in the Code Provision A.4.2 of the Code on Corporate Governance Practices and the Code Provision C.3.3 regarding the "term of reference of the Audit Committee" of the Code on Corporate Governance Practices, the Board is of the view that the Company has complied with the requirements of the code provisions of Code on Corporate Governance Practices contained in Appendix 14 of the Hong Kong Listing Rules during the Reporting Period.

XVII. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES DEALINGS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") set out 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 confirmed that all Directors and Supervisors had fully complied with the Model Code and the requirement set out above during the Reporting Period.

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 the review of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2011.

XIX. AGM AND CLOSURE OF H SHARE REGISTER OF MEMBERS

The AGM will be held on 15 June 2012. Shareholders whose name appears on the register of members of the Company on 15 May 2012 will be eligible to attend and vote at the annual general meeting ("**AGM**") to be held on Friday, 15 June 2012. In order to determine the Shareholders who will be qualified for attending and voting at the AGM, the register of members of the Company will be closed from Wednesday, 16 May 2012 to Friday, 15 June 2012, 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, 15 May 2012 for registration. For details of the AGM, please refer to the notice of AGM which is expected to be issued on 24 April 2012. 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 Company for the year ended 31 December 2011. The figures in respect of the results announcement of the Company for the year ended 31 December 2011 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 2011. 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. EXPLANATIONS OF THE BOARD ON THE AUDITOR'S REPORT WITH AN EMPHASIS OF MATTER

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

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

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

2. Description of relevant information

In August 2007, the Parent signed an agreement with Sino Iron Pty Ltd, a subsidiary of CITIC Pacific, regarding Western Australia ("WA") SINO Iron Ore Project, with a total contract value of USD1.75 billion. Subsequently with the agreement of both parties, the Parent's contractual rights and obligations under the agreement were amended to be undertaken by MCC Mining (Western Australia) Pty Ltd ("MCC WA"), a subsidiary of the Company. The project commenced in April 2009. Due to multiple adjustments of the process plan and the underestimate of Australian laws and standards and exchange rate fluctuations by CITIC Pacific, the parties had begun to negotiate additional contract prices since the second half of 2009, and signed the Supplemental Agreement II on 11 May 2010 which increased the contract value by USD835 million, and then signed another Supplementary Agreement III on 30 December 302011which further increased the contract value by USD822 million. The current contract value of the project has so far increased to USD3.407 billion. Although the final outcome of the project are depending on the special audit results on project costs upon completion of the first and second production lines and will be determined through negotiations among the relevant parties. The Company believes that MCC and CITIC Pacific have established a good communication and coordination mechanism for the WA SINO Iron Ore Project, so the problem of project cost will be reasonably resolved. The Company believes that the costs incurred under the contracts and the estimated contract costs to complete the contracts are expected to be recoverable, thus revenues of the project are recognised to the extent of actual costs incurred, without recognising any profit margin, and the Company also believes that it is not necessary to make any provision for foreseeable contract losses.

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

3. Measures adopted by the Group

The Group will continue to strengthen the on site management of WA SINO Iron Ore Project, strictly control the costs and constantly improve its delicacy management. According to the agreements signed with CITIC Pacific, it will start the collation of data and complete the relevant preparation for the special purpose audit on project costs. It will also accelerate the construction of the project, strive to complete the first production line by 31 May 2012, and put the first and second production lines into operation by 31 August 312012 and 31 December 2012 respectively. In the meantime, it will endeavor to promote the project settlement and follow-up negotiations with the owner-CITIC Pacific. In cases when certain contract costs become unrecoverable or when it is probable that the total contract costs will exceed total contract values, a loss will be recognised immediately.

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

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

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

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

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

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

XXII. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2011 will be available on the website of the Stock Exchange (http://www.hkex.com.hk) and the Company's website (http://www.mccchina.com) on or before 5 April 2012 for inspection by the Shareholders.

XXIII. DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

DEFINITIONS

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
Board	the board of Directors of the Company

China or PRC	the People's Republic of China, excluding, for purposes of this document only, Hong Kong, Macao and Taiwan
controlling shareholder	has the meaning ascribed thereto under the Hong Kong Listing Rules
Corporate Governance Code	the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules
CSRC	the China Securities Regulatory Commission
Director(s)	the director(s) of the Company, including all executive, non-executive and independent non-executive Directors
H Shares	the overseas listed foreign invested shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
HK$ or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Stock Exchange, Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

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	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	Metallurgical Corporation of China Ltd.* and its subsidiaries
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
MOHURD	the Ministry of Housing and Urban-Rural Development of the People's Republic of China
Controlling shareholder, 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 2011 to 31 December 2011
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
Shanghai Stock Exchange	the Shanghai Stock Exchange
Shareholder(s)	holder(s) of share(s) of the Company
State Council	the State Council of the People's Republic of China
Supervisor(s)	the supervisor(s) of the Company
US$ or U.S. dollars	United States dollars, the lawful currency of the United States

GLOSSARY

BT	Build-Transfer, a business model in which the contractor undertakes the financing of construction expenditures and transfers the project back to the proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in instalments pursuant to relevant agreements
Exploration	activity to prove the location, volume and quality of a mineral occurrence

crude steel	steel product formed upon the earliest stage of solidification, including intermediary products of steel ingots and continuously cast steel slabs
LME	the London Metal Exchange
design	application of engineering theories and techno-economic approaches, based on the prevailing technical standards, for conducting all-round design (including requisite non-standardized equipment design) and technoeconomic analysis on newly constructed, expansion and reconstruction projects in respect of their technical process, land construction, civil works and environmental works; provision of design papers and blueprints as the basis for construction work
EP	Design-procurement mode in the field of engineering and construction
EPC, EPC contracting	commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be responsible for the quality, safety, timely delivery and cost of the project
iron making	the process to extract metallic iron from iron-containing minerals (mainly ferriferous oxide), including the blast furnace process, direct reduction process, smelt reduction process and plasma process

Luban Award	the PRC Construction and Engineering Luban Award (National Excellent Projects), which is the highest award for outstanding quality in engineering work in the construction industry in the PRC under two categories, namely, main contractor and key participants, and is assessed by the China Construction Industry Association annually
mineral resources	a concentration or occurrence of 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
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 a major raw material used for iron making in a blast furnace

smelting — a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed in ores

social welfare housing — social welfare housing provided by the government to medium- and low-income households with certain restrictions on the eligibility of applicants, construction standards, selling price or rent standards, including, but not limited to, dually restricted commodity housing (with restrictions on price and size), economically affordable housing, policy-based rental housing and low-rent housing

steel making — the process whereby impurities in pig iron and scrap steel are oxidized and removed to an appropriate degree, followed by the addition of iron alloys, to produce a material with appropriate amounts of carbon and constituent elements of the alloys

steel rolling — a process whereby a rolling mill is used to turn billets and slabs into steel products of various kinds

steel structure	a structure composed of various steel materials connected with each other through welding or bolted joints, which is widely used in industry, civil construction, railways, highways, bridges, power station structural frames, power transmission tower structures, television broadcasting towers, offshore oil platforms, gas pipes, urban infrastructure, national defense construction, and other areas
survey	survey, explore, test and undertake overall assessment on landscape, geology and water for planning, design, implementation, operations and integrated management of a project; provide feasibility assessment and required information on the exploration results for construction; and carry out exploration, design, management and monitoring activities in rock engineering

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

Beijing, the PRC
29 March 2012

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*