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METALLURGICAL CORPORATION OF CHINA LTD. *

中國冶金科工股份有限公司

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

(Stock Code: 1618)

2012 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

The Board of Metallurgical Corporation of China Ltd. hereby announces the audited results of the Company and its subsidiaries for the year ended 31 December 2012. The highlights are as follows:

- Revenue amounted to RMB216,242 million, representing a year-on-year decrease of RMB5,871 million or 2.64% from RMB222,113 million in 2011.
- Loss of the year amounted to RMB10,455 million, of which loss from continuing operations amounted to RMB1,133 million. While the profit for 2011 amounted to RMB3,712 million, of which profit from continuing operations amounted to RMB5,897 million.
- Loss attributable to equity holders of the Company amounted to RMB6,952 million, of which loss from continuing operations attributable to equity holders of the Company amounted to RMB1,574 million. Profit attributable to equity holders of the Company for 2011 amounted to RMB4,243 million, of which profit from continuing operations attributable to equity holders of the Company amounted to RMB 4,907 million.

- Basic loss per share amounted to RMB0.36, of which basic loss per share from continuing operations amounted to RMB0.08. Basic earnings per share for 2011 amounted to RMB0.22, of which basic earnings per share incurred from continuing operations amounted to RMB0.26.
- As at 31 December 2012, total assets amounted to RMB326,235 million, representing a decrease of RMB5,796 million or 1.75% from RMB332,031 million as at 31 December 2011.
- As at 31 December 2012, total equity amounted to RMB52,802 million, representing a decrease of RMB5,373 million or 9.24% from RMB58,175 million as at 31 December 2011.
- Value of newly-signed contracts amounted to RMB265,533 million, representing a year-on-year decrease of RMB21,125 million or 7.37% from RMB286,658 million in 2011.

I. CORPORATE INFORMATION

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

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

PRC auditor	PricewaterhouseCoopers Zhong Tian CPAs Limited Company
Office address of the PRC auditor	26/F, Office Tower A Beijing Fortune Plaza 7 Dongsanhuan Zhonglu Chaoyang District, Beijing, PRC
International auditor	PricewaterhouseCoopers Certified Public Accountants
Office address of the international auditor	22/F, Prince's Building Central Hong Kong
PRC legal advisor	Beijing Jiayuan Law Firm
Office address of the PRC legal advisor	F407, Ocean Plaza 158 Fuxingmennei Avenue Beijing, PRC
Hong Kong legal advisor	King & Wood Mallesons
Office address of the Hong Kong legal advisor	9th Floor, Hutchison House 10 Harcourt Road, Central Hong Kong

II. BUSINESS REVIEW

(I) Business Segments of the Company

1. *Engineering and Construction Business*

(1) *Industry Overview*

Generally speaking, according to the preliminary estimation by the National Bureau of Statistics, in 2012, China's gross domestic product ("GDP") amounted to RMB51.9322 trillion, up 7.8% as compared with the same period of 2011. The construction industry contributed RMB3.5459 trillion, representing a growth of 9.3% as compared with the same period of 2011.

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

- in 2012, the fixed assets investment in the national iron and steel industry increased by 2.97% to RMB658.4 billion over the same period of last year, 12.54 percentage points lower in terms of growth rate than 2011. The investment in the ferrous metal mining industry increased by 23.7% to RMB152.9 billion over the same period of last year, 5.3 percentage points higher in terms of growth rate than 2011. Investment in the ferrous metal metallurgy and rolling processing industry decreased by 2.0% to RMB505.5 billion over the same period of last year, and the growth rate in 2011 was 14.6%.
- in 2012, the fixed asset investment in non-ferrous metal mining industry increased by 19.0% to RMB147.7 billion over the same period of last year. The fixed asset investment in the non-ferrous metal metallurgy and the rolling processing industry increased by 20.6% to RMB448.5 billion over the same period of last year.

For other engineering and construction markets:

- in 2012, the investment in the infrastructure construction was RMB7,612.916 billion, representing an increase of 13.7% as compared with last year.
- in 2012, the investment in the domestic property development was RMB7,180.4 billion, representing a nominal growth of 16.2%, and an actual growth of 14.9% excluding the price factor, over the same period of last year. The investment in residential properties increased by 11.4% to RMB4,937.4 billion. The gross floor area (“GFA”) under construction by property development enterprises increased by 10.6% to 5,734.18 million sq.m., whilst newly-commenced GFA decreased by 7.3% to 1,773.34 million sq.m.

(2) The operating results of the segment

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

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

Unit: RMB'million

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

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

Metallurgical Engineering and Construction Market

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

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

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

Non-metallurgical Engineering and Construction Market

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

- China MCC 5 Group Co., Ltd. and China MCC 19 Group Co., Ltd. undertook the construction projects of key infrastructure in Chengdu, while MCC Capital Engineering & Research Incorporation Limited undertook the construction projects of key infrastructure in Yingkou.
- Shanghai Baoye Group Corp., Ltd. won the bid of the landmark civil engineering project in Kunshan and China Huaye Group Co., Ltd. won the bid of the sports stadium project in Wuzhong.

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

Overseas Engineering Market Expansion

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

- For the metallurgical engineering and construction markets, India and Southeast Asia remained our focus. The Group entered into a portfolio of major overseas metallurgical engineering and construction projects such as the provision of the steel structures for the secondary refining facilities of the BSP project in India (印度BSP二次精煉鋼結構供貨工程項目), the EPC general contract of blast furnaces and coke ovens in Formosa Plastics Ha Tinh steel plant in Vietnam (越南台塑河靜鋼鐵廠高爐和焦爐EPC總承包項目).
- The Group vigorously expanded the civil and infrastructure construction markets in regions such as the Middle East and Singapore, through the integrated engineering and construction management platform formed by its branches in the Middle East market and leveraging advantages of the localized operation through the subsidiary in Singapore, in a bid to increase the overseas market share of the principal business of engineering and construction of the Company. In 2012, the Group undertook some major projects including the science institution and staff entertainment center for university town in Kuwait (科威特大學城科學院與教員俱樂部項目) with an approximate contract value of RMB4.19 billion, the public housing project in Choa Chu Kang (蔡厝港地區新建組屋鄰里項目) and the general contract of executive condominium in Yishun Avenue 7 (義順7道執行共管公寓總承包) in Singapore. In addition, at the end of 2012, the Company entered into the Malaysia ACACELL pulp project with an annual production capacity of 850,000 tons (馬來西亞ACACELL年產85萬噸紙漿項目), the total contract value of which was approximately RMB9.23 billion.

Awards

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

2. *Equipment Manufacturing Business*

(1) *Industry Overview*

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

The major focus and directions of development of the metallurgical equipment manufacturing industry lied on the restructuring and upgrade policies of the iron and steel industry. During the “Twelfth Five-year”, facing challenges in the restructuring of the iron and steel industry and the phasing out of obsolete production capacities throughout, the State promulgated relevant policies to curb the fast growth of iron and steel production capacities. The techniques that directly contribute to the production capacity, such as bloom continuous casting, hot continuous rolling, cold continuous rolling, continuous thin slab casting and rolling were no longer listed as encouraged items. In the meantime, to encourage the development of a cyclical economy, the multifunctional dry desorption of pollutants, including sulphur, nitra and dioxin, from sintering gas, the technology of by-products recycling, the techniques

and equipment for the recycling of waste liquid from metallurgy and the development and application of the techniques for the new-generation cyclical procedures of iron and steel were encouraged. In addition, the Ministry of Industry and Information Technology of the PRC (國家工業和信息化部) promulgated the Twelfth Five-year Plan of Industrial Technology Innovation (《「十二五」產業技術創新規劃》), specifying the focus of technology and equipment development in the iron and steel industry including the advanced technology of manufacturing iron and steel material used for restructuring and upgrade of products, the refined technology and equipment as well as the IT intelligent control for integrating the material flow and energy flow network in the new generation of iron and steel manufacturing procedures featuring efficiency and low power consumption, the key technology for controlling and recycling of wastes from the iron and steel industry, key techniques for the low costs and high efficiency of iron and steel materials and the technology for the safe and efficient development and comprehensive use of mineral resources for metallurgical purpose.

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

(2) *The operating results of the segment*

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 results of the equipment manufacturing segment in 2012

Unit: RMB'million

	2012	% of the total	2011	Year-on- year growth
Segment revenue	<u>11,307</u>	<u>5.15%</u>	<u>14,231</u>	<u>-20.55%</u>
Segment results	<u><u>-668</u></u>	<u><u>-12.74%</u></u>	<u><u>5</u></u>	<u><u>—</u></u>

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

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

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

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

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

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

3. *Resources development business*

(1) *Industry overview*

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

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

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

Cash Settlement Price Charts of LME in 2012

Unit: US\$/ton

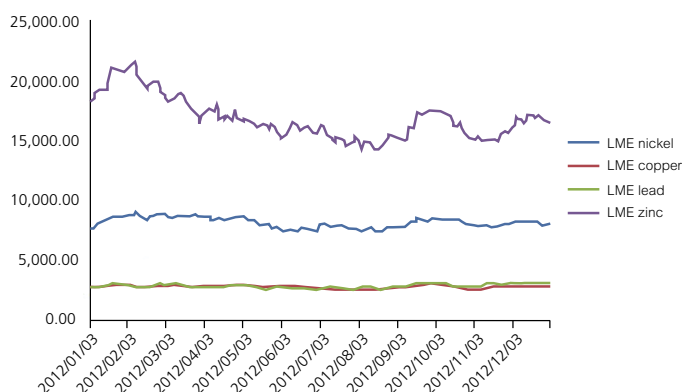


*Table of China's Output, Consumption and Import of Iron Ore, Copper,
Nickel,
Lead and Zinc in Recent Years*

Unit: 0'000 tons

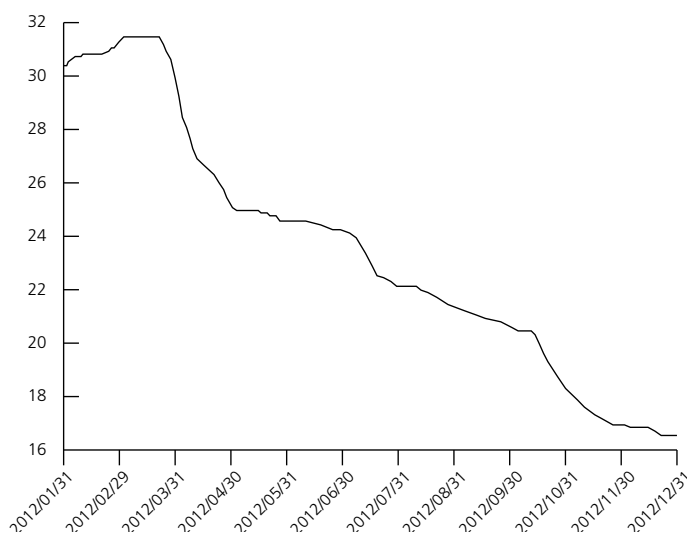
	Type	2010	2011	2012
Output	Iron ore	107,771	132,694	130,964
	Copper	454	519.7	606
	Nickel	31.4	48	22.9
	Lead	415.8	464.8	464.7
	Zinc	520.9	522.2	484.5
Consumption	Iron ore	94,433	99,590	106,000
	Copper	738.5	791.5	780
	Nickel	48.9	71.3	68.3
	Lead	417.1	466.2	467.2
	Zinc	535.0	547	528
Import	Iron ore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

- Notes:*
- 2010-2011 figures for copper, nickel, lead and zinc were sourced from "World Metal Statistics" while the figures for 2012 come from the National Bureau of Statistics and the China Nonferrous Metals Industry Association.
 - Figures for iron ore, out of which 2012 iron ore consumption is estimated figures, were sourced from the China Iron & Steel Association, the National Bureau of Statistics, the General Administration of Customs and Umetal.com.

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

Spot price chart of Polysilicon in 2012

Unit: RMB0'000/ton



(2) *The overall operating results of the segment*

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

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

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

The segment results of the resources development segment in 2012

Unit: RMB'million

	2012	% of the total	2011	Year-on- year growth
Segment revenue	<u>2,778</u>	<u>1.27%</u>	<u>5,066</u>	<u>-45.16%</u>
Segment results	<u>-3,697</u>	<u>-70.53%</u>	<u>727</u>	<u>—</u>

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

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

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

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

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

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

Ramu Nico Project, Papua New Guinea: In 2012, the Ramu Project was still under the stage of construction and trial production. Since the load commissioning of the project commenced in March 2012, the trial of production for and shift between two series of high pressure acid leaching production line were consecutively undertaken. Since the end of August 2012, two series of high pressure acid leaching realised paralleled operation and production. Currently the project officially entered the stage of production. After the load commissioning of the project commenced, production indicators and technical indicators recorded a steady increase. As at the end of 2012, production of nickel and cobalt hydroxide products (on dry basis) amounted to 13,783 tons and the sales reached 2,900 tons, whilst the production of chromium

concentrates amounted to 18,000 tons. On 6 December, an operation ceremony was held for completion of the project. In November 2012, the first batch of products on trial sale was delivered through a shipment (for details, please refer to the overseas regulatory announcement published by the Company on 6 December 2012).

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

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

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

4. *Property Development Business*

(1) *Industry Overview*

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

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

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

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

(2) *The operating results of the segment business*

The property development business of the Group has transformed from developing one single project in one single location to multiple projects in various locations. Through reorganisation of resources and business integration, the Group progressed toward becoming a property enterprise with multi-regional and group-based operation, with business including commodity property development, welfare housing construction and primary land development.

The segment results of the property development segment in 2012

Unit: RMB'million

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

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

Detailed operating results of the property development segment in 2012

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

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

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

The Group will remain committed to the principle of economies of scale, standardised capital operation, market segmentation and consumer diversification. In respect of product strategy, it aspires to adjust to high return product mix such as commodity properties, and actively engages in multi-dimensional and high-end property development. By moderately expanding its existing welfare housing development business, it has laid solid foundation to further strengthen and improve the property development business of the Group. New market domains that have been explored enabled the Group to adjust and optimise the mechanism of the structure of the property development segment in a flexible manner. Continuous efforts have been made in responding to market changes in the external environment to enhance competitiveness of the segment. With a commitment to the strategy of creating the brand of “MCC Real Estate” and the strategy of operating in highly focused regions, the Group has strived to improve its property development in order to facilitate the overall positive development of the property development business of the Group.

(II) Scientific Research Contribution and Achievements

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

1. Construction of Technology Innovation Platforms

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

2. Scientific Research Projects Report

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

3. *Patent Applications*

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

4. *Science and Technology Awards Report*

In 2012, the Group earned 6 prizes of the National Science and Technology Advancement Award (國家科技進步獎), including one first prize and five second prizes, a year regarded as earning the most national technology prizes since the establishment of the Group. The Group also earned 4 China Patent Merit Awards (中國專利優秀獎) and 10 awards in respect of metallurgical technologies granted by the China Steel Industry Association (中國鋼鐵工業協會) and the Chinese Institute of Metals (中國金屬學會), including three first prizes, two second prizes and five third prizes, a year regarded as earning the most first prizes for such award since the establishment of the Group. In particular, one construction enterprise (China MCC 20 Group Co., Ltd.) earned the first prize unprecedentedly.

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

5. *Technological Standard Preparation*

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

6. *Exemplary Projects Construction*

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

(III) The analysis of core competitiveness

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

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

III. FINANCIAL REVIEW

(I) OVERVIEW

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

- Revenue amounted to RMB216,242 million, representing a year-on-year decrease of RMB5,871 million or 2.64% from RMB222,113 million in 2011.
- Loss for the year amounted to RMB10,455 million, of which loss from continuing operations amounted to RMB1,133 million. While the profit for 2011 amounted to RMB3,712 million, of which profit from continuing operations amounted to RMB5,897 million.
- Loss attributable to equity holders of the Company amounted to RMB6,952 million, of which loss from continuing operations attributable to equity holders of the Company amounted to RMB1,574 million. Profit attributable to equity holders of the Company for 2011 amounted to RMB4,243 million, of which profit from continuing operations attributable to equity holders of the Company amounted to RMB 4,907 million.
- Basic loss per share amounted to RMB0.36, of which basic loss per share from continuing operations amounted to RMB0.08. Basic earnings per share for 2011 amounted to RMB0.22, of which basic earnings per share incurred from continuing operations amounted to RMB0.26.
- As at 31 December 2012, total assets amounted to RMB326,235 million, representing a decrease of RMB5,796 million or 1.75% from RMB332,031 million as at 31 December 2011.
- As at 31 December 2012, total equity amounted to RMB52,802 million, representing a decrease of RMB5,373 million or 9.24% from RMB58,175 million as at 31 December 2011.
- Value of newly-signed contracts amounted to RMB265,533 million, representing a year-on-year decrease of RMB21,125 million or 7.37% from RMB286,658 million in 2011.

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

- Equipment manufacturing business

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

- Resources development business

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

- Property development business

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

- Other businesses

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

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

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 the implementation of fiscal and monetary policies of the State.

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 domestically 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 and the performance of the Group's business operations may vary in different economic cycle of the country.

2. Changes in Policies of Industries where the Group operates 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 equipment, products of resources development and residential properties might also be affected by changes in demand in related markets and hence influencing the financial position of the Group.

Points 1 and 2 mentioned above are the major risk factors that influence the results 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 Company and subsidiaries.

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

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 of the Group.

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

Huludao Nonferrous, a former subsidiary of the Company, has been loss-making for a long period of time. Though the Company has been seeking solutions through implementing various measures, no significant improvement was observed. It was facing serious indebtedness problem and material impairment of assets. Pursuant to the requirements of the Accounting Standard for Business Enterprises and International Financial Reporting Standards as well as the assets appraisal results, provisions were made for the impairment loss for assets in the period. At the end of 2012, the Company transferred its 51.06% equity interest in Huludao Nonferrous to MCC Group. Pursuant to the progress of EPC contract of the SINO iron ore project and the written confirmation from CITIC Group Corporation, MCC Mining (Western Australia) Pty Ltd, a subsidiary of the Company, recognized the amounts where estimated total costs exceed estimated total revenue as the loss in the current period. The feasibility study report for the assets of Cape Lambert Iron Ore Project (“Cape Lambert Iron Ore Assets”), which belongs to MCC Australia Holding Pty Ltd, a subsidiary of the Company, indicated that due to the significant changes in laws, techniques, exchange rates and environment, which would continue to exert major impact on the project, the estimated production costs in the future may continue to rise and the internal rate of return of the project is much lower than expected and the assets may have been impaired. Pursuant to the requirements of the Accounting Standard for Business Enterprises and International Financial Reporting Standards as well as the assets appraisal results, provisions were made for the impairment loss for assets in the period. The abovementioned issues exerted substantial impacts on the operating results of the Group in 2012.

The Ramu nickel laterite mine project has commenced operation in December 2012. Projects financed by A Share proceeds such as the new project on the manufacturing of forged steel rolling mill and the expansion of the hot processing production capacity in Fuping County, Shaanxi Province are all in progress or undergoing equipment testing. The state of operation of these projects, as well as the progress and final result of the EPC contract of the SINO ore mine construction project in Western Australia will affect the future financial performance of the 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 the corporate governance, strengthen the implementation of operation management and internal control, improve management quality and effectiveness, and perfect assessment and incentive system of the Group. Through reform and innovation, energy and creativity will be stimulated throughout the Group. Whether these management goals are effectively implemented will also considerably influence the improvement 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, 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. THE BOARD'S DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

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

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

VI. MANAGEMENT DISCUSSION AND ANALYSIS

(I) OVERVIEW

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

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

(II) CONSOLIDATED OPERATING RESULTS

1. Revenue

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

2. *Cost of sales and gross profit*

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

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

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

3. *Operating profit*

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

4. *Finance income*

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

6. *Share of profits of associates*

The Company's share of profits of associates is the profits attributable to the Company from its associates, net of the losses attributable to the Company from its associates, pursuant to its equity interests in such associates. The Group's share of profits of associates decreased by RMB40 million or 71.43% from RMB56 million for 2011 to RMB16 million for 2012.

7. *Profit before income tax*

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

8. *Income tax expense*

The Group's income tax expense increased by RMB5 million or 0.17% from RMB2,983 million for 2011 to RMB2,988 million for 2012. The Group's effective tax rate was 161.08% for 2012, up 127.49% from 33.59% for 2011, mainly attributable to the increase in unrecognized tax loss and temporary difference of certain subsidiaries of the Group as compared to the previous year.

9. *Loss from discontinued operations*

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

10. *Loss attributable to non-controlling interests*

Loss attributable to non-controlling interests represent the interests of outside shareholders in the results of operations of non-wholly owned subsidiaries of the Company. The loss attributable to non-controlling interests for 2012 amounted to RMB3,503 million, while the loss attributable to non-controlling interests for 2011 amounted to RMB531 million.

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

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

(III) DISCUSSION OF RESULTS BY SEGMENT

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

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

Note (1): Segment results margin represents segment results as a percentage of segment revenue.

1. *Engineering and construction*

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

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

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

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

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

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

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

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

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

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

2. *Equipment manufacturing*

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

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

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

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

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

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

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

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

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

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

3. *Resources development*

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

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

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

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

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

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

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

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

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

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

4. *Property development business*

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

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

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

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

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

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

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

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

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

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

5. Other businesses

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

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

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

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

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

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

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

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

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

Segment results. Segment results of other businesses recorded a loss of RMB258 million for 2012 as compared to a profit of RMB120 million for 2011.

(IV) LIQUIDITY AND CAPITAL RESOURCES

The 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 the loans of the Group.

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 2012 and 2011.

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

2. Cash flows from operating activities

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

3. *Cash flows from investing activities*

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

4. *Cash flows from financing activities*

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

5. *Capital expenditures*

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

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

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

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

6. *Working capital*

Trade receivables and trade payables.

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

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

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

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

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

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

As at 31 December 2012, the range in the aging of trade receivables remained fundamentally stable, with a modest increase in the proportion of trade receivables of all ages as compared with those as at 31 December 2011, mainly due to projects such as roads and bridges, public facilities and social welfare housing carried out by the Company's subsidiaries in the past two years through cooperation with governments, which usually requires the Company to make advances, thus leading to an increase in trade receivables as compared with last year.

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

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

7. *Retentions*

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

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

8. *Assets-liabilities ratio*

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

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

9. *Gearing ratio*

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

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

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

10. Cash and cash equivalents

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

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

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

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

(V) INDEBTEDNESS

1. Borrowings

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

	As at 31 December	
	2012	2011
	(RMB million)	(RMB million)
Non-current		
Long-term bank borrowings		
— Secured (a)	10,543	6,200
— Unsecured	18,988	24,634
	<u>29,531</u>	<u>30,834</u>
Other long-term borrowings		
— Secured (a)	75	75
— Unsecured	6,011	212
— Debentures (b(i))	21,448	21,364
	<u>27,534</u>	<u>21,651</u>
Total non-current borrowings	<u>57,065</u>	<u>52,485</u>
Current		
Short-term bank borrowings		
— Secured (a)	1,615	2,824
— Unsecured	37,433	42,171
	<u>39,048</u>	<u>44,995</u>

	As at 31 December	
	2012	2011
	(RMB million)	(RMB million)
Other short-term borrowings		
— Secured (a)	160	1,315
— Unsecured	3,305	5,200
— Debentures (b(ii))	21,400	17,000
	<u>24,865</u>	<u>23,515</u>
Current portion of long-term bank borrowings		
— Secured (a)	1,508	2,274
— Unsecured	9,016	7,292
	<u>10,524</u>	<u>9,566</u>
Current portion of other long-term borrowings		
— Secured (a)	—	—
— Unsecured	—	6,600
	<u>—</u>	<u>6,600</u>
Total current borrowings	<u>74,437</u>	<u>84,676</u>
Total borrowings	<u>131,502</u>	<u>137,161</u>

- (a) Secured borrowings of the Group were secured by the Group's property, plant and equipment, land use rights and properties under development.
- (b) (i) As approved by the National Development and Reform Commission, the Company has issued debentures in July 2008 at par value of RMB3,500 million, with a maturity of ten years from issuance.

As approved by the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Medium-Term Notes ("MTN") on 19 September 2010 at a discounted price of RMB9,971 million with a par value of RMB10,000 million, a maturity of ten years from issuance and interest rate of 3.95% per annum and with the issuer's redemption rights at the end of fifth year. If the Company does not exercise its redemption rights in the fifth year, the coupon rate of the MTN for the 6th year to the 10th year will increase to 5.09%.

The Company issued its Tranche II MTN on 15 November 2010 at a discounted price of RMB4,686 million with a par value of RMB4,700 million, a maturity of five years from issuance and interest rate of 4.72% per annum.

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

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

As approved by the National Association of Financial Market Institutional Investors, the Company issued its Tranche II Short-Term Debentures on 27 September 2012 at par value of RMB3,000 million, with a maturity of one year from issuance. The debentures are unsecured and bear interests at a rate of 4.48% per annum. Principal and interests are paid upon maturity date.

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

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

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

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

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

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

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

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

2. Financial Guarantees

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

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

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

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

3. *Contingencies*

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

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. The balance is the maximum exposure of such lawsuits that the Group is named as defendants. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and legal advice. No provision has been made for the above pending lawsuits since management believes the outflow of resources is not probable.

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

(VI) MARKET RISKS

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

(a) *Foreign exchange risk*

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

The Group's exposure to foreign exchange risk relates principally to its trade and other receivables, cash and cash equivalents, trade and other payables and borrowings that were denominated mainly in United States Dollars ("USD"), Australian Dollars ("AUD") and Euros ("EUR").

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

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

(b) Interest rate risk

The Group's exposure to interest rate risk relates principally to its restricted cash, cash and cash equivalents, trade and other receivables, trade and other payables and borrowings. Restricted cash, cash and cash equivalents and borrowings at variable rates expose the Group to cash flow interest-rate risk, and those restricted cash, cash, cash equivalents and borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2012, approximately RMB299 million (2011: RMB498 million) of the Group's restricted cash, approximately RMB435 million (2011: RMB503 million) of the Group's cash and cash equivalents and approximately RMB70,299 million (2011: RMB54,658 million) of the Group's borrowings were at fixed rates.

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

(c) Price risk

The 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	
	2012	2011
	10%	10%
Change in equity price	<u> </u>	<u> </u>
	Year ended 31 December	
	2012	2011
	(RMB million)	(RMB million)
Impact on profit for the year		
Increase/(decrease) in profit for the year		
— as a result of increase in equity price	23	26
— as a result of decrease in equity price	(23)	(26)
Impact on equity		
Increase/(decrease) in equity for the year		
— as a result of increase in equity price	25	28
— as a result of decrease in equity price	(25)	(28)

(d) Credit risk

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

Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality. None of cash at bank, bank deposits and restricted cash of the Group and the 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.

(e) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through 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 2012					
Borrowings	84,262	28,523	25,314	31,283	169,382
Trade and other payables	<u>84,417</u>	<u>222</u>	<u>—</u>	<u>—</u>	<u>84,639</u>
	<u>168,679</u>	<u>28,745</u>	<u>25,314</u>	<u>31,283</u>	<u>254,021</u>
As at 31 December 2011					
Borrowings	85,659	13,467	23,682	25,349	148,157
Trade and other payables	<u>74,622</u>	<u>357</u>	<u>—</u>	<u>—</u>	<u>74,979</u>
	<u>160,281</u>	<u>13,824</u>	<u>23,682</u>	<u>25,349</u>	<u>223,136</u>

VII. CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2012	2011
	Note	RMB'million	RMB'million
ASSETS			
Non-current assets			
Property, plant and equipment	10	39,333	42,533
Land use rights		6,323	8,195
Mining rights	15	2,457	5,025
Investment properties		1,574	978
Intangible assets		7,041	6,992
Investments in associates		2,504	1,980
Available-for-sale financial assets	14	1,348	1,479
Deferred income tax assets		2,678	2,592
Trade and other receivables	11	23,492	22,239
Other non-current assets		222	334
		<u>86,972</u>	<u>92,347</u>
Current assets			
Inventories		9,467	13,896
Properties under development		56,677	54,844
Completed properties held for sale		7,694	4,277
Trade and other receivables	11	93,713	87,880
Amounts due from customers for contract work	16	36,502	33,104
Available-for-sale financial assets	14	700	50
Financial assets at fair value through profit or loss		302	352
Restricted cash		2,124	2,560
Cash and cash equivalents		32,084	42,721
		<u>239,263</u>	<u>239,684</u>
Total assets		<u><u>326,235</u></u>	<u><u>332,031</u></u>

VII. CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2012	2011
	Note	RMB'million	RMB'million
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		19,110	19,110
Reserves		22,039	29,093
— Proposed dividend		—	—
— Other reserves		22,039	29,093
		41,149	48,203
Non-controlling interests		11,653	9,972
Total equity		52,802	58,175
LIABILITIES			
Non-current liabilities			
Borrowings	13	57,065	52,485
Deferred income		1,477	1,636
Retirement and other supplemental benefit obligations		4,715	5,405
Provisions for other liabilities and charges		66	79
Trade and other payables	12	222	357
Deferred income tax liabilities		536	524
		64,081	60,486

VII. CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2012	2011
	<i>Note</i>	<i>RMB'million</i>	<i>RMB'million</i>
Current liabilities			
Trade and other payables	12	121,867	114,773
Amounts due to customers for contract work	16	11,029	11,825
Current income tax liabilities		1,414	1,464
Borrowings	13	74,437	84,676
Retirement and other supplemental benefit obligations		605	632
		<u>209,352</u>	<u>213,370</u>
Total liabilities		<u>273,433</u>	<u>273,856</u>
Total equity and liabilities		<u><u>326,235</u></u>	<u><u>332,031</u></u>
Net current assets		<u><u>29,911</u></u>	<u><u>26,314</u></u>
Total assets less current liabilities		<u><u>116,883</u></u>	<u><u>118,661</u></u>

VIII. CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2012	2011
	Note	RMB'million	RMB'million
			As restated
Continuing operations			
Revenue	3	216,242	222,113
Cost of sales	5	<u>(200,202)</u>	<u>(200,497)</u>
Gross profit		16,040	21,616
Selling and marketing expenses	5	(1,622)	(1,792)
Administrative expenses	5	(11,116)	(11,076)
Other income		1,041	1,347
Other gains — net	6	480	791
Other expenses		<u>(117)</u>	<u>(158)</u>
Operating profit		4,706	10,728
Finance income	4	1,828	1,623
Finance costs	4	(4,695)	(3,527)
Share of profits of associates		<u>16</u>	<u>56</u>
Profit before income tax		1,855	8,880
Income tax expense	7	<u>(2,988)</u>	<u>(2,983)</u>
(Loss)/profit for the year from continuing operations		<u>(1,133)</u>	<u>5,897</u>
Discontinued operations			
Loss for the year from discontinued operations	17	<u>(9,322)</u>	<u>(2,185)</u>
(Loss)/profit for the year		<u>(10,455)</u>	<u>3,712</u>

VIII. CONSOLIDATED INCOME STATEMENT (*CONTINUED*)

	Year ended 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
		As restated
(Loss)/profit attributable to:		
Equity holders of the Company	(6,952)	4,243
Non-controlling interests	<u>(3,503)</u>	<u>(531)</u>
	<u>(10,455)</u>	<u>3,712</u>
 (Loss)/profit attributable to equity holders of the Company arising from:		
Continuing operations	(1,574)	4,907
Discontinued operations	<u>(5,378)</u>	<u>(664)</u>
	<u>(6,952)</u>	<u>4,243</u>

VIII. CONSOLIDATED INCOME STATEMENT (*CONTINUED*)

		Year ended 31 December	
		2012	2011
		<i>RMB</i>	<i>RMB</i>
			As restated
		<i>Note</i>	
(Loss)/earnings per share from continuing and discontinued operations attributable to equity holders of the Company during the year			
Basic (loss)/earnings per share			
From continuing operations		(0.08)	0.26
From discontinued operations		(0.28)	(0.04)
(Loss)/profit for the year	9	<u>(0.36)</u>	<u>0.22</u>
Diluted (loss)/earnings per share			
From continuing operations		(0.08)	0.26
From discontinued operations		(0.28)	(0.04)
(Loss)/profit for the year	9	<u>(0.36)</u>	<u>0.22</u>

Details of dividends attributable to equity holders of the Company for the years ended 31 December 2012 and 2011 are set out in Note 8.

IX. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

X. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company							
	Share	Capital	Other	Retained		Non-	
	capital	premium	reserves	earnings	Subtotal	controlling	Total
	RMB'	RMB'	RMB'	RMB'	RMB'	RMB'	RMB'
Note	million	million	million	million	million	million	million
At 1 January 2011	19,110	17,948	308	7,605	44,971	8,541	53,512
Profit/(loss) for the year	—	—	—	4,243	4,243	(531)	3,712
Other comprehensive loss:							
Fair value losses on available-for-sale financial assets, net of tax	—	—	(125)	—	(125)	(6)	(131)
Currency translation differences	—	—	(154)	—	(154)	(22)	(176)
Total comprehensive (loss)/ income for the year	—	—	(279)	4,243	3,964	(559)	3,405
Transaction with owners:							
Dividends	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

X. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CONTINUED)

Attributable to equity holders of the Company							
	Share	Capital	Other	Retained		Non-	
	capital	premium	reserves	earnings	Subtotal	controlling	Total
	RMB'	RMB'	RMB'	RMB'	RMB'	interests	RMB'
Note	million	million	million	million	million	million	million
At 31 December 2011	19,110	17,948	195	10,950	48,203	9,972	58,175
Loss for the year	—	—	—	(6,952)	(6,952)	(3,503)	(10,455)
Other comprehensive loss:							
Fair value losses on available-for-sale							
financial assets, net of tax	—	—	(24)	—	(24)	(3)	(27)
Currency translation differences	—	—	(76)	—	(76)	(7)	(83)
Total comprehensive loss for the year	—	—	(100)	(6,952)	(7,052)	(3,513)	(10,565)
Transaction with owners:							
Dividends	8	—	—	—	—	(393)	(393)
Transaction with							
non-controlling interests	—	—	(2)	—	(2)	(97)	(99)
Attributable to set-up of subsidiaries	—	—	—	—	—	21	21
Liquidation/disposal of subsidiaries	—	—	—	—	—	5,570	5,570
Investments in subsidiaries transferred to							
investments in associates	—	—	—	—	—	(277)	(277)
Additional capital injection from							
owners and non-controlling interests							
proportionally	—	—	—	—	—	370	370
Total transaction with owners	—	—	(2)	—	(2)	5,194	5,192
At 31 December 2012	<u>19,110</u>	<u>17,948</u>	<u>93</u>	<u>3,998</u>	<u>41,149</u>	<u>11,653</u>	<u>52,802</u>

XI. CONSOLIDATED STATEMENT OF CASH FLOWS

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

XI. CONSOLIDATED STATEMENT OF CASH FLOWS (*CONTINUED*)

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

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.

The Company’s parent company and ultimate holding company is China Metallurgical Group Corporation (the “Parent”).

- (b) The Company and its subsidiaries (the “Group”) are principally engaged in following activities (Core Operations):

- Provision of engineering, construction and other related contracting services for metallurgical and non-metallurgical projects (“engineering and construction activities”);
- Development and production of metallurgical equipment, steel structures and other metal products (“equipment manufacturing”);
- Development, mining and processing of mineral resources and the production of nonferrous metal and polysilicon (“resources development”); and
- Development and sale of residential and commercial properties, affordable housing and primary land development (“property development”).

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

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

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

2.1.1 Discontinued operations

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

Details are disclosed in Note 17.

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

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

2.1 Basis of preparation *(continued)*

2.1.2 Changes in accounting policy and disclosures

New standards and interpretations not yet adopted

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

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

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

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

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

2.1 Basis of preparation *(continued)*

2.1.2 Changes in accounting policy and disclosures *(continued)*

New standards and interpretations not yet adopted *(continued)*

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

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2011. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the consolidated income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9’s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

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

2.1 Basis of preparation *(continued)*

2.1.2 Changes in accounting policy and disclosures *(continued)*

New standards and interpretations not yet adopted *(continued)*

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has assessed IFRS 10's impact. It is not expected to have a material impact on the Group's financial statements.

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

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

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 results are operating profits without unallocated costs deducted.

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

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

Additions to non-current assets comprises additions to property, plant and equipment (Note 10), land use rights mining rights (Note 15), investment properties, intangible assets, investments in associates and other non-current assets.

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3. Segment information (continued)

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

The segment results for the year ended 31 December 2012 are as follows:

	Engineering and construction RMB 'million	Equipment manufacturing RMB 'million	Resources development RMB 'million	Property development RMB 'million	Others RMB 'million	Elimination RMB 'million	Total RMB 'million
Segment revenue	174,993	11,307	2,778	25,226	5,276	(3,338)	216,242
Inter-segment revenue	(2,542)	(529)	(198)	(54)	(15)	3,338	—
Revenue	172,451	10,778	2,580	25,172	5,261	—	216,242
Segment results	6,040	(668)	(3,697)	3,825	(258)	(311)	4,931
Unallocated costs							(225)
Operating profit							4,706
Finance income	1,450	55	27	337	518	(559)	1,828
Interest income	1,359	53	27	333	518	(559)	1,731
Other finance income	91	2	—	4	—	—	97
Finance costs	(4,087)	(314)	(235)	(231)	(387)	559	(4,695)
Interest expense	(4,012)	(303)	(225)	(240)	(386)	559	(4,607)
Other finance costs	(75)	(11)	(10)	9	(1)	—	(88)
Share of profits/ (losses) of associates	18	6	—	(8)	—	—	16
Profit before income tax and discontinued operations							1,855
Income tax expense	(1,329)	(1)	134	(1,696)	(96)	—	(2,988)
Loss for the year from continuing operations							(1,133)

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3. Segment information (continued)

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

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

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Depreciation (Notes 5)	1,280	507	406	41	26	2,260
Amortisation	249	41	23	9	30	352
Provision for impairment of property, plant and equipment (Note 5)	14	151	890	—	—	1,055
Provision for impairment of inventories (Note 5)	44	320	119	—	143	626
Foreseeable losses on construction contracts (Note 5)	288	—	—	—	—	288
Provision for impairment of trade and other receivables (Note 5)	1,142	78	2	13	120	1,355
Provision for impairment of mining rights (Note 5)	—	—	2,296	—	—	2,296
Provision for impairment of goodwill (Note 5)	7	10	—	1	—	18
Provision for impairment of properties under development (Note 5)	—	—	—	55	—	55

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3. Segment information (continued)

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

The segment assets and liabilities as at 31 December 2012 and additions to non-current assets for the year then ended are as follows:

	Engineering and construction RMB 'million	Equipment manufacturing RMB 'million	Resources development RMB 'million	Property development RMB 'million	Others RMB 'million	Elimination RMB 'million	Total RMB 'million
Assets							
Segment assets	193,726	21,955	22,991	110,693	16,062	(46,724)	318,703
Investments in associates	1,839	—	—	665	—	—	2,504
Unallocated assets							5,028
Total assets							<u>326,235</u>
Liabilities							
Segment liabilities	188,058	14,926	17,888	90,669	13,644	(52,288)	272,897
Unallocated liabilities							536
Total liabilities							<u>273,433</u>
Additions to non- current assets arise from:							
Continuing operations	3,815	1,298	2,182	485	36	—	7,816
Discontinued operations	—	—	422	—	—	—	422
	<u>3,815</u>	<u>1,298</u>	<u>2,604</u>	<u>485</u>	<u>36</u>	<u>—</u>	<u>8,238</u>

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3. Segment information (continued)

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

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

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

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3. Segment information (continued)

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

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

As restated	Engineering and construction RMB 'million	Equipment manufacturing RMB 'million	Resources development RMB 'million	Property development RMB 'million	Others RMB 'million	Elimination RMB 'million	Total RMB 'million
Segment revenue	180,646	14,231	5,066	20,717	6,049	(4,596)	222,113
Inter-segment revenue	(3,437)	(577)	(219)	—	(363)	4,596	—
Revenue	<u>177,209</u>	<u>13,654</u>	<u>4,847</u>	<u>20,717</u>	<u>5,686</u>	<u>—</u>	<u>222,113</u>
Segment results	8,002	5	727	2,091	120	20	10,965
Unallocated costs							(237)
Operating profit							10,728
Finance income	1,244	51	16	340	555	(583)	1,623
Interest income	1,115	40	16	340	555	(583)	1,483
Other finance income	129	11	—	—	—	—	140
Finance costs	(3,027)	(270)	(275)	(143)	(395)	583	(3,527)
Interest expense	(3,039)	(260)	(198)	(142)	(393)	583	(3,449)
Other finance costs	12	(10)	(77)	(1)	(2)	—	(78)
Share of profits/ (losses) of associates	62	(2)	—	(4)	—	—	56
Profit before income tax and discontinued operations							8,880
Income tax expense	(1,593)	(65)	(151)	(1,122)	(52)	—	(2,983)
Profit for the year from continuing operations							<u><u>5,897</u></u>

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3. Segment information (continued)

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

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

As restated	Engineering and construction RMB 'million	Equipment manufacturing RMB 'million	Resources development RMB 'million	Property development RMB 'million	Others RMB 'million	Total RMB 'million
Depreciation (Notes 5)	1,100	558	325	44	21	2,048
Amortisation	189	30	11	1	23	254
Provision for impairment of property, plant and equipment (Note 5)	6	13	—	—	—	19
Provision for impairment of inventories (Note 5)	13	13	14	—	17	57
Foreseeable losses on construction contracts (Note 5)	120	—	—	—	—	120
Provision for impairment of trade and other receivables (Note 5)	869	57	12	36	11	985
Provision for impairment of land use rights (Note 5)	40	—	—	—	—	40
Provision for impairment of goodwill (Note 5)	—	—	—	42	—	42

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3. Segment information (continued)

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

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

	Engineering and construction RMB 'million	Equipment manufacturing RMB 'million	Resources development RMB 'million	Property development RMB 'million	Others RMB 'million	Elimination RMB 'million	Total RMB 'million
Assets							
Segment assets	204,455	23,172	35,367	98,780	21,504	(57,700)	325,578
Investments in associates	1,368	—	2	610	—	—	1,980
Unallocated assets							4,473
Total assets							<u>332,031</u>
Liabilities							
Segment liabilities	186,076	15,487	30,090	80,797	18,162	(57,280)	273,332
Unallocated liabilities							524
Total liabilities							<u>273,856</u>
Additions to non- current assets arise from:							
Continuing operations	4,547	2,386	3,465	160	16	—	10,574
Discontinued operations	—	—	371	—	—	—	371
	<u>4,547</u>	<u>2,386</u>	<u>3,836</u>	<u>160</u>	<u>16</u>	<u>—</u>	<u>10,945</u>

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

3. Segment information (continued)

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

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

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

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

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

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

4. Finance income and costs

	Year ended 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
		As restated
Interest expense		
— Bank borrowings wholly repayable within 5 years	6,751	4,734
— Bank borrowings repayable over 5 years	1,368	1,230
— Other borrowings	624	268
	<u>8,743</u>	<u>6,232</u>
Less: Amounts capitalised in construction-in-progress (a)	(469)	(384)
Less: Amounts capitalised in properties under development (b)	(3,667)	(2,399)
	<u>4,607</u>	<u>3,449</u>
Net foreign exchange gains on borrowings	(9)	(22)
Discount charges on bank acceptance notes	97	100
	<u>4,695</u>	<u>3,527</u>
Finance costs		
Interest income on bank deposits	(419)	(462)
Unwinding of discount of long-term receivables	(1,312)	(1,021)
Others	(97)	(140)
	<u>(1,828)</u>	<u>(1,623)</u>
Finance income		
	<u>2,867</u>	<u>1,904</u>

(a) Interest expenses were capitalised as construction-in-progress at the rate of 3.54% (2011: 3.05%) per annum for the year ended 31 December 2012.

(b) Interest expenses were capitalised as properties under development at the rate of 7.82% (2011: 6.68%) per annum for the year ended 31 December 2012.

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

5. Expenses by nature

	Year ended 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
		As restated
Raw materials, purchased equipment and consumables used	73,772	87,197
Changes in inventories of finished goods and work-in-progress	(4,147)	(15,079)
Subcontracting charges	97,367	98,827
Employee benefits	14,465	15,054
Fuel and heating expenditure	947	1,172
Business tax and other transaction taxes	6,049	5,981
Travelling expenses	1,675	1,682
Office expenses	1,954	1,997
Transportation costs	599	832
Operating lease rentals	4,643	4,934
Research and development costs	2,179	2,239
Repairs and maintenance	1,165	1,086
Advertising expenses	340	489
Foreseeable losses on construction contracts	288	120
Amortisation of land use rights	147	141
Amortisation of mining rights	18	6
Amortisation of intangible assets	140	107

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

5. Expenses by nature (continued)

	Year ended 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i> As restated
Depreciation of property, plant and equipment	2,223	2,007
Depreciation of investment properties	37	41
Provision for impairment of trade and other receivables	1,355	985
Provision for impairment of inventories	626	57
Provision for impairment on properties under development	55	8
Provision for impairment of property, plant and equipment	1,055	19
Provision for impairment of goodwill	18	42
Provision for impairment of land use rights	—	40
Provision for impairment of mining rights	2,296	—
Insurance expenses	93	116
Bank charges relating to operating activities	176	354
Professional and technical consulting fees	711	701
Auditors' remuneration		
— financial statements audit	35	45
— internal control audit	3	5
— non-audit services	4	4
Others	2,652	2,156
Total cost of sales, selling and marketing expenses and administrative expenses	212,940	213,365

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

6. Other gains – net

	Year ended 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
		As restated
Financial assets at fair value through profit or loss:		
fair value gains	—	1
Net foreign exchange losses	(178)	(384)
Gain on disposal of subsidiaries	383	765
Gain on disposal of associates	23	—
Gain on disposal of property, plant and equipment	158	72
Gain on disposal of financial assets at fair value through profit or loss	43	4
Gain on disposal of held-to-maturity financial assets	—	22
Gain on disposal of available-for-sale financial assets	1	204
Impairment loss for available-for-sale financial assets	(24)	(13)
Others	74	120
	<u>74</u>	<u>120</u>
	<u>480</u>	<u>791</u>

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

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	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
		As restated
Current income tax:		
PRC enterprise income tax	2,503	2,822
Overseas taxation	14	16
	2,517	2,838
Deferred income tax	(51)	(385)
PRC land appreciation tax (d)	522	530
	2,988	2,983

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

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	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
		As restated
Profit before income tax	<u>1,855</u>	<u>8,880</u>
Tax calculated at the statutory tax rate of 25%	464	2,220
Effect of difference between applicable tax rate and statutory tax rate to Group companies	(396)	(507)
Tax losses and other temporary differences for which no deferred income tax assets were recognised and utilisation of previously unrecognised tax losses and other temporary differences	2,368	823
Income not subject to taxation	(64)	(56)
Expense not deductible for tax purpose	366	320
Additional tax relief	(183)	(168)
Effect of higher tax rate for the appreciation of land in the PRC	392	398
Others	<u>41</u>	<u>(47)</u>
Income tax expense	<u><u>2,988</u></u>	<u><u>2,983</u></u>

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

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, the State Administration of Taxation of the People’s Republic of China issued the Cai Shui [2011] No.111 “Note on the pilot transform from business tax to VAT in Shanghai communication and transportation industry and new services industry”. According to this Note, enterprises and individuals, who provide communication and transportation services and some of new services within the territory of the PRC, are VAT taxpayers. For taxpayers providing such taxable services, VAT should be paid in accordance with this approach, which is no longer subject to business tax. Besides the current standard VAT tax rate 17% and low VAT tax rate 13%, there are two more levels of tax rate, 11% and 6%. This Note was effective on 1 January 2012.

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

7. Taxation (continued)

(c) Value-added tax (“VAT”) and related taxes (continued)

On 31 July 2012, as approved by the State Council, Ministry of Finance of China and State Administration of Taxation of China issued the Cai Shui [2012] No.71 “Note on the pilot transform from business tax to VAT in 8 provinces (cities, including Beijing)’ communication and transportation industry and new services industry”. According to this Note, the pilot area which transforms business tax to VAT in communication and transportation services and some of new services has expanded from Shanghai, to Beijing, Tianjin, Jiangsu Province, Anhui Province, Zhejiang Province (including Ningbo), Fujian Province (including Xiamen), Hubei Province and Guangdong Province (including Shenzhen) in batches. These pilot areas should organise related implementation work starting from 1 August 2012. Beijing, Jiangsu and Anhui Provinces, Fujian and Guangdong Provinces and Tianjin, Zhejiang and Hubei Provinces should complete the transformation from old tax system to new tax system on 1 September 2012, 1 October 2012, 1 November 2012 and 1 December 2012 respectively.

The Group’s subsidiaries have executed the transformation from business tax to VAT according to the Note as mentioned above in these pilot areas.

(d) PRC land appreciation tax

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

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

8. Dividends

No dividend for the year ended 31 December 2012 was declared by the Board of Directors (2011: Nil).

9. (Loss)/earnings per share

(a) Basic

Basic (loss)/earnings per share for the year ended 31 December 2012 and 2011 is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
		As restated
(Loss)/profit from continuing operations		
attributable to equity holders of the Company	(1,574)	4,907
Loss from discontinued operations		
attributable to equity holders of the Company	(5,378)	(664)
	<u>(6,952)</u>	<u>4,243</u>
Weighted average number of ordinary		
shares in issue (<i>million</i>)	<u>19,110</u>	<u>19,110</u>
Basic (loss)/earnings per share (<i>RMB</i>)	<u>(0.36)</u>	<u>0.22</u>

(b) Diluted

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

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

10. Property, plant and equipment

	Mining structure <i>RMB'million</i>	Buildings <i>RMB'million</i>	Plant and machinery <i>RMB'million</i>	Trans- portation equipment <i>RMB'million</i>	Furniture, office and other equipment <i>RMB'million</i>	Construction -in-progress <i>RMB'million</i>	Total <i>RMB'million</i>
Cost							
At 1 January 2011	62	14,858	15,857	2,075	757	13,463	47,072
Additions	—	239	965	354	125	6,920	8,603
Transfer from investment properties	—	39	—	—	—	—	39
Attributable to acquisition of subsidiaries	—	17	4	1	—	—	22
Transfer upon completion	43	1,794	1,960	20	125	(3,942)	—
Disposals/write-off	(31)	(297)	(741)	(131)	(42)	—	(1,242)
Disposal of subsidiaries	—	(4)	(41)	(4)	(2)	(58)	(109)
Exchange differences	—	(98)	(22)	(6)	(3)	(53)	(182)
Transfer to investment properties	—	(178)	—	—	—	(19)	(197)
Reclassification	—	(25)	(13)	23	15	—	—
At 31 December 2011	74	16,345	17,969	2,332	975	16,311	54,006
Additions	45	317	664	311	136	4,690	6,163
Transfer from investment properties	—	14	—	—	—	—	14
Transfer upon completion	1	5,302	6,779	169	2,383	(14,634)	—
Disposals/write-off	(3)	(572)	(1,150)	(186)	(42)	—	(1,953)
Disposal of subsidiaries/ discontinued operations	—	(3,015)	(2,567)	(162)	(70)	(1,313)	(7,127)
Exchange differences	—	(18)	(63)	(7)	(13)	(8)	(109)
Transfer to investment properties	—	(158)	—	—	—	—	(158)
At 31 December 2012	117	18,215	21,632	2,457	3,369	5,046	50,836

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

10. Property, plant and equipment (*continued*)

	Mining structure <i>RMB'million</i>	Buildings <i>RMB'million</i>	Plant and machinery <i>RMB'million</i>	Trans- portation equipment <i>RMB'million</i>	Furniture, office and other equipment <i>RMB'million</i>	Construction -in-progress <i>RMB'million</i>	Total <i>RMB'million</i>
Accumulated depreciation							
At 1 January 2011	5	2,718	5,916	930	374	—	9,943
Depreciation	5	684	1,279	279	128	—	2,375
Transfer from investment properties	—	28	—	—	—	—	28
Disposals/write-off	(1)	(166)	(587)	(92)	(38)	—	(884)
Disposal of subsidiaries	—	(1)	(15)	(2)	(1)	—	(19)
Exchange differences	—	(12)	(5)	(5)	(1)	—	(23)
Transfer to investment properties	—	(27)	—	—	—	—	(27)
Reclassification	—	(2)	(3)	3	2	—	—
At 31 December 2011	9	3,222	6,585	1,113	464	—	11,393
Depreciation	10	761	1,465	296	148	—	2,680
Transfer from investment properties	—	10	—	—	—	—	10
Disposals/write-off	—	(275)	(826)	(103)	(32)	—	(1,236)
Disposal of subsidiaries/ discontinued operations	—	(781)	(1,433)	(123)	(30)	—	(2,367)
Exchange differences	—	(1)	(9)	(4)	(1)	—	(15)
Transfer to investment properties	—	(24)	—	—	—	—	(24)
At 31 December 2012	19	2,912	5,782	1,179	549	—	10,441

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

10. Property, plant and equipment (continued)

	Mining structure RMB'million	Buildings RMB'million	Plant and machinery RMB'million	Trans- portation equipment RMB'million	Furniture, office and other equipment RMB'million	Construction -in-progress RMB'million	Total RMB'million
Impairment provision							
At 1 January 2011	—	1	18	—	—	6	25
Additions	—	—	67	2	1	—	70
Disposal of subsidiaries	—	—	(15)	—	—	—	(15)
At 31 December 2011	—	1	70	2	1	6	80
Additions	—	875	927	19	17	368	2,206
Disposal of subsidiaries/ discontinued operations	—	(641)	(545)	(13)	(8)	(17)	(1,224)
At 31 December 2012	—	235	452	8	10	357	1,062
Net book value							
At 31 December 2012	<u>98</u>	<u>15,068</u>	<u>15,398</u>	<u>1,270</u>	<u>2,810</u>	<u>4,689</u>	<u>39,333</u>
At 31 December 2011	<u>65</u>	<u>13,122</u>	<u>11,314</u>	<u>1,217</u>	<u>510</u>	<u>16,305</u>	<u>42,533</u>

As explained in Note 17, there was an impairment indicator for property, plant and equipment owned by Huludao Nonferrous Group as a result of further deterioration of operating performance and capital conditions during 2012, and the Group engaged China Assets Appraisal Co., Ltd. (“China Assets”), an independent valuer, to perform an impairment assessment on the related assets as at 31 December 2012. Based on this impairment assessment, the Group concluded that the fair value of such property, plant and equipment was lower than its carrying amount. Accordingly, the Group recorded an impairment provision of RMB1,140 million on such property, plant and equipment for the year ended 31 December 2012 (2011: RMB51 million). The loss recognised on the impairment was included as “discontinued operations”.

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

11. Trade and other receivables

	As at 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
Trade receivables		
Trade receivables	75,747	67,219
Retentions	3,019	2,093
Notes receivables	11,312	11,230
	90,078	80,542
Less: Provision for impairment	(5,164)	(4,374)
Trade receivables – net	84,914	76,168

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

11. Trade and other receivables (continued)

	As at 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
Other receivables		
Prepayments to suppliers	16,690	19,875
Deposits	9,769	8,319
Amounts due from related parties and third parties	9,664	1,518
Staff advances	519	596
Prepayment for investments	—	1,867
Investments to be refunded	1,037	—
Others	2,778	2,868
	<u>40,457</u>	<u>35,043</u>
Less: Provision for impairment	<u>(8,166)</u>	<u>(1,092)</u>
Other receivables – net	<u>32,291</u>	<u>33,951</u>
Total trade and other receivables	<u>117,205</u>	<u>110,119</u>
Less: Non-current portion		
— Trade and other receivables	(23,414)	(21,961)
— Retentions	(78)	(278)
	<u>(23,492)</u>	<u>(22,239)</u>
Current portion	<u><u>93,713</u></u>	<u><u>87,880</u></u>

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

11. Trade and other receivables (continued)

Ageing analysis of the trade receivables are as follows:

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

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

12. Trade and other payables

	As at 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
Trade payables	68,727	61,309
Other payables		
Accrued payroll and related expenses	2,342	2,574
Accrued expenses	669	768
Purchase deposits from customers	29,164	32,719
Deposits payable	6,549	4,832
Rental payable	286	248
Utilities payable	254	364
Repair and maintenance payable	289	450
Other taxes payable	5,944	4,858
Long-term payables due to third parties	—	566
Others	7,865	6,442
	53,362	53,821
Total trade and other payables	122,089	115,130
Less: Non-current portion		
— Other payables	(222)	(357)
Current portion	121,867	114,773

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

12. Trade and other payables (continued)

The ageing analysis of trade payables is as follows:

	As at 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
Within 1 year	51,966	46,958
1 year to 2 years	9,692	9,060
2 years to 3 years	4,146	2,821
Over 3 years	2,923	2,470
	<u>68,727</u>	<u>61,309</u>

13. Borrowings

	As at 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
Non-current		
Long-term bank borrowings		
Secured	10,543	6,200
Unsecured	18,988	24,634
	<u>29,531</u>	<u>30,834</u>
Other long-term borrowings		
Secured	75	75
Unsecured	6,011	212
Debentures	21,448	21,364
	<u>27,534</u>	<u>21,651</u>
Total non-current borrowings	<u>57,065</u>	<u>52,485</u>

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

13. Borrowings (continued)

	As at 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
Current		
Short-term bank borrowings		
Secured	1,615	2,824
Unsecured	37,433	42,171
	<u>39,048</u>	<u>44,995</u>
Other short-term borrowings		
Secured	160	1,315
Unsecured	3,305	5,200
Debentures	21,400	17,000
	<u>24,865</u>	<u>23,515</u>
Current portion of long-term bank borrowings		
Secured	1,508	2,274
Unsecured	9,016	7,292
	<u>10,524</u>	<u>9,566</u>
Current portion of other long-term borrowings		
Secured	—	—
Unsecured	—	6,600
	<u>—</u>	<u>6,600</u>
Total current borrowings	<u>74,437</u>	<u>84,676</u>
Total borrowings	<u><u>131,502</u></u>	<u><u>137,161</u></u>

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

14. Available-for-sale financial assets

	As at 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
Listed securities		
— Equity securities – China	<u>338</u>	<u>368</u>
Unlisted securities		
— Equity securities – China	<u>1,710</u>	<u>1,161</u>
	<u>2,048</u>	<u>1,529</u>
Market value of listed securities	<u>338</u>	<u>368</u>

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

15. Mining rights

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

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

15. Mining rights *(continued)*

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

As explained in Note 17, the Group made an impairment provision on the mining rights of Huludao Nonferrous Group amounting to RMB349 million for the year ended 31 December 2012 (2011: Nil). On 31 December 2012, the Company also transferred all of its 51.06% equity interests in Huludao Nonferrous to the Parent. Refer to Note 17 for details.

16. Contract work-in-progress

	As at 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
Contract cost incurred plus recognised profit less recognised losses	647,579	533,966
Less: Progress billings	(622,106)	(512,687)
	<u>25,473</u>	<u>21,279</u>
Contract work-in-progress	<u>25,473</u>	<u>21,279</u>
Representing:		
Amounts due from customers for contract work	36,502	33,104
Amounts due to customers for contract work	(11,029)	(11,825)
	<u>25,473</u>	<u>21,279</u>
	Year ended 31 December	
	2012	2011
	<i>RMB'million</i>	<i>RMB'million</i>
Contract revenue recognised as revenue	<u>172,451</u>	<u>177,209</u>

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

16. Contract work-in-progress (*continued*)

Based on the above contract value of USD4,357 million as consented with the CITIC Group and the total cost estimate, the Group recognised total contract loss amounting to RMB3,035 million under this project for the year ended 31 December 2012.

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

17. Discontinued operations

During the year ended 31 December 2012, Huludao Nonferrous, a subsidiary of the Company, suffered continuous increase of operating losses, further deterioration of capital conditions, negative carrying amount of net assets and significant uncertainty to continue as a going concern. As at 31 December 2012, the Company evaluated the recoverable amount of its investment in Huludao Nonferrous, based on the result of evaluation, the Company made an impairment provision on its investment in Huludao Nonferrous amounting to RMB593 million (2011: RMB2,250 million). The Company's investment in Huludao Nonferrous has been fully impaired, which means the carrying amount of investment in Huludao Nonferrous is Nil.

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

17. Discontinued operations *(continued)*

On 31 December 2012, The Company entered into an equity transfer agreement with the Parent, pursuant to which the Company transferred its 51.06% equity interests in Huludao Nonferrous to the Parent at a consideration of RMB1 yuan based on the value of net assets of Huludao Nonferrous appraised by an independent valuer, China Assets. The equity transfer agreement was approved by the Boards of directors of the Company and the Parent on 31 December 2012. Based on the above, the Group concluded that the effective date of the equity transfer to be 31 December 2012.

As at 31 December 2012, the Company also had a receivable from Huludao Nonferrous Group amounting to RMB7,747 million, including other receivables and interest receivables of RMB6,841 million and RMB906 million respectively. This receivable from Huludao Nonferrous Group was not transferred to the Parent according to aforementioned transfer of equity interests of Huludao Nonferrous to the Parent according to the equity transfer agreement. Accordingly, the Group engaged China Assets, the independent valuer, to appraise the fair value of these receivables from Huludao Nonferrous Group. Based on this assessment, the Company made an impairment provision of RMB6,887 million on the receivables from Huludao Nonferrous Group for the year ended 31 December 2012 (2011: Nil), comprising impairment provisions of RMB5,981 million on other receivables and RMB906 million on interest receivables respectively.

Since Huludao Nonferrous Group was a component of the Group's business, representing a separate major line of business with separately identifiable operations and cash flows, it is classified as discontinued operations. Accordingly, the results of Huludao Nonferrous Group are separately reported as "discontinued operations" in the consolidated income statements. In addition, the loss recognised on the disposal of assets of Huludao Nonferrous Group was also included as "discontinued operations".

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

17. Discontinued operations (continued)

The details of the net assets of discontinued operations as at 31 December 2012 are as follows:

	<i>RMB'million</i>
Cash and cash equivalents	13
Restricted cash	237
Property, plant and equipment	2,721
Inventories	869
Mining rights	211
Land use rights	1,320
Available-for-sale financial assets	53
Trade and other receivables	646
Other non-current assets	36
Trade and other payables	(9,825)
Borrowings	(4,303)
Deferred income	(168)
Deferred income tax liabilities	(21)
Retirement and other supplemental benefit obligations	(440)
Net assets	(8,651)
Non-controlling interests	5,634
Net assets disposed	(3,017)
Sales proceeds – cash received	—
Less: Cash and cash equivalents of subsidiaries disposed	(13)
Net cash inflow on disposal of subsidiaries	(13)

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

17. Discontinued operations (continued)

The results and cash flows of discontinued operations are as follows:

	Year ended 31 December	
	2012	2011
	RMB'million	RMB'million
Revenue	4,499	7,608
Expenses	(9,862)	(9,806)
Loss before tax of discontinued operations	(5,363)	(2,198)
Income tax expense	(25)	13
Loss after tax of discontinued operations	(5,388)	(2,185)
Loss on disposal of discontinued operations before tax	(3,934)	—
Income tax expense	—	—
Loss on disposal of discontinued operations after tax	(3,934)	—
Loss for the year from discontinued operations	(9,322)	(2,185)
Attributable to:		
Equity holders of the Company	(5,378)	(664)
Non-controlling interests	(3,944)	(1,521)
Loss for the year from discontinued operations	(9,322)	(2,185)

XII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

17. Discontinued operations (continued)

The results and cash flows of discontinued operations are as follows: (continued)

	Year ended 31 December	
	2012	2011
	RMB'million	RMB'million
Net cash (outflow)/inflow from operating activities	<u>(982)</u>	<u>490</u>
Net cash (outflow)/inflow from investing activities	<u>(9)</u>	<u>431</u>
Net cash inflow/(outflow) from financing activities	<u>838</u>	<u>(915)</u>
Net (decrease)/increase in cash and cash equivalents	(153)	6
Cash and cash equivalents at beginning of the year	168	159
Exchange (losses)/gains on cash and cash equivalents	<u>(2)</u>	<u>3</u>
Cash and cash equivalents at end of the year	<u><u>13</u></u>	<u><u>168</u></u>

XIII. DIVIDENDS

The Board does not intend to distribute any final dividend for the year ended 31 December 2012. Relevant proposals will be tabled at the Company's 2012 AGM for consideration and approval.

XIV. SHARE CAPITAL

(I) CHANGES IN SHARE CAPITAL

1. Table of changes in shares

Unit: share

	Before Change		Increase/ decrease (+, -)					After Change	
	Number	Percentage (%)	Issue of new shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number	Percentage (%)
I. Shares subject to selling restrictions									
1. State-owned shares	346,500,000	1.82	—	—	—	-346,500,000	-346,500,000	0	0
2. Shares held by state-owned legal person	12,265,108,500	64.18	—	—	—	-12,265,108,500	-12,265,108,500	0	0
3. Other domestic shareholding	—	—	—	—	—	—	—	—	—
Including: Shares held by domestic non-state-owned legal person	—	—	—	—	—	—	—	—	—
Shares held by domestic individuals	—	—	—	—	—	—	—	—	—
4. Foreign shareholding	—	—	—	—	—	—	—	—	—
Including: Shares held by overseas legal person	—	—	—	—	—	—	—	—	—
Shares held by overseas individuals	—	—	—	—	—	—	—	—	—
II. Shares not subject to selling restrictions									
1. Renminbi-denominated ordinary shares	3,627,391,500	18.98	—	—	—	+12,611,608,500	+12,611,608,500	16,239,000,000	84.98
2. PRC-listed foreign shares	—	—	—	—	—	—	—	—	—
3. Overseas-listed foreign shares	2,871,000,000	15.02	—	—	—	—	—	2,871,000,000	15.02
4. Others	—	—	—	—	—	—	—	—	—
III. Total number of shares	19,110,000,000	100	—	—	—	—	—	19,110,000,000	100

2. *Changes in shares subject to selling restrictions*

Unit: Share

Name of shareholders	Number of shares subject to selling restrictions as at the beginning of the year	Released during the year	Additions during the year	Number of shares subject to selling restrictions as at the end of the year	Reason for being subject to selling restrictions	Date of releasing selling restrictions
China Metallurgical Group Corporation	12,265,108,500	12,265,108,500	0	0	Shares of controlling shareholder are subject to selling restrictions for a period of 36 months commencing from the A Share listing date	21 September 2012
The National Council for Social Security Fund of the PRC (全國社會保障基金理事會 轉持三戶)	346,500,000	346,500,000	0	0	Assumed lock-up undertaking of MCC Group	21 September 2012
	_____	_____	_____	_____	_____	_____
Total	<u>12,611,608,500</u>	<u>12,611,608,500</u>	<u>0</u>	<u>0</u>	<u>/</u>	<u>/</u>

(II) ISSUE AND LISTING OF SECURITIES

1. *Issue of securities in the last three years*

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

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

There were no changes in the total share capital and share capital structure of the Company due to bonus issue and share placement or otherwise during the Reporting Period.

3. *Existing internal employee shares*

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

(III) PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON

1. *Number of Shareholders and their shareholding*

At the end of the Reporting Period, the Company had a total of 337,623 Shareholders, among which, 329,124 were A Share Shareholders and 8,499 were H Share Shareholders. As of 22 March 2013, the Company had a total of 333,399 Shareholders, among which, 325,028 were A Share Shareholders and 8,371 were H Share Shareholders.

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

Unit: Share

Name of Shareholder	Change during the Reporting Period	Total number of shares held at the end of the period	Percentage (%)	Number of shares subject to selling restrictions held	Number of shares pledged or frozen	Nature of Shareholder
China Metallurgical Group Corporation	0	12,265,108,500	64.18	0	0	State-owned legal person
HKSCC Nominees Limited (Note 2)	-377,000	2,838,398,000	14.85	0	0	Others
The Social Security Fund of the PRC No. 101 (全國社會保障基金一零一組合) (Note 3)	154,253,476	154,253,476	0.81	0	0	State
Baosteel Group Corporation	-2,000,000	121,891,500	0.64	0	0	State-owned legal person
The Social Security Fund of the PRC No. 103 (全國社會保障基金一零三組合) (Note 3)	110,000,000	110,000,000	0.58	0	0	State
PICC Life Insurance Company Limited — Dividend - Dividend of Group Insurance (中國人民人壽保險股份有限公司 — 分紅 — 團險分紅)	9,235,411	53,459,674	0.28	0	0	Others
PICC Life Insurance Company Limited — Dividend - proprietary funds (中國人民人壽保險股份有限公司 — 自有資金)	20,430,158	43,781,491	0.23	0	0	Others
PICC Property and Casualty Company Limited — traditional — general insurance products — 008C — CT001 Shanghai 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)	-3,963,749	41,691,484	0.22	0	0	Others
Bank of China Limited — Harvest CSI 300 Trading Open-end Index Securities Investment Fund (中國銀行股份有限公司 — 嘉實滬深300交易型開放式 指數證券投資基金)	38,888,807	38,888,807	0.20	0	0	Others
PICC Life Insurance Company Limited — Dividend — Dividend of Individual Insurance (中國人民人壽保險股份有限公司 — 分紅 — 個險分紅)	-1,359,357	35,105,209	0.18	0	0	Others

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

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

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

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

Unit: Share

Name of Shareholder	Number of shares not subject to selling restrictions held	Type of shares
China Metallurgical Group Corporation	12,265,108,500	A Shares
HKSCC Nominees Limited (Note 2)	2,838,398,000	H Shares
The Social Security Fund of the PRC No. 101 (全國社會保障基金一零一組合) (Note 3)	154,253,476	A Shares
Baosteel Group Corporation	121,891,500	A Shares
The Social Security Fund of the PRC No. 103 (全國社會保障基金一零三組合) (Note 3)	110,000,000	A Shares
PICC Life Insurance Company Limited — Dividend — dividend of group insurance (中國人民人壽保險股份有限公司 — 分紅 — 團險分紅)	53,459,674	A Shares
PICC Life Insurance Company Limited — Dividend — proprietary funds (中國人民人壽保險股份有限公司 — 自有資金)	43,781,491	A Shares
PICC Health Insurance Company Limited — Traditional — general insurance product (中國人民健康保險股份有限公司 — 傳統 — 普通保險產品)	41,691,484	A Shares
Bank of China Limited — Harvest CSI 300 Trading Open-end Index Securities Investment Fund (中國銀行股份有限公司 — 嘉實滬深300交易 型開放式指數證券投資基金)	38,888,807	A Shares
PICC Life Insurance Company Limited — dividend — Dividend of Individual Insurance (中國人民人壽保險股份有限公司 — 分紅 — 個險分紅)	35,105,209	A Shares
Explanations on the connections or parties acting in concert with the aforesaid Shareholders	Save that part of the Shareholders are managed by the same administrator, the Company is not aware of the existence of any connections or parties acting in concert with the aforesaid Shareholders.	

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

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

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

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

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

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

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

In 2011, MCC Group has recorded a revenue of RMB243.2 billion, total profit of RMB0.5 billion and net cash outflow from operating activities of RMB13.5 billion. Its total assets were RMB360.2 billion as at the end of 2011. In 2012, the revenue was slightly lower and total profit tumbled relatively, but net cash flows from operating activities turned around.

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

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

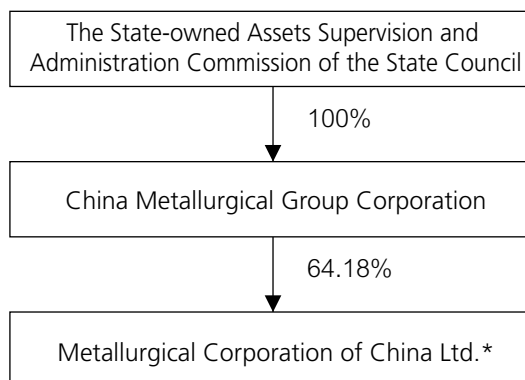
(2) *Ultimate controlling person*

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

(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 for the year ended 31 December 2012.

XVI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, revision and improvement have been made to the existing system of governance of the Company in accordance with relevant rules and regulations in both the PRC and Hong Kong and in consideration of the actual needs of internal control and management of the Company which, among others, were related to the Articles of Association, the Rules of Procedures for Board Meetings (董事會議事規則), the Work Rules for Special Committees (專門委員會工作細則), so as to ensure that the Company's governance activities are conducted in compliance with the laws and regulations and in an orderly manner. According to the new requirements on Hong Kong regulatory rules, after consideration and approval in the Board meeting and 2011 AGM of the Company, the Company amended the Rules of Procedures for Board Meetings and the relevant Work Rules for Special Committees (專門委員會

工作細則) of the Board for the purpose of emphasising the requirements of the time devoted by Directors to perform their duties and optimising the corporate governance functions of the Board. In order to improve the terms of reference of relevant special committees, the Company had strengthened the Strategy Committee's function in regularly evaluating the management structure and organisational structure of the Company, enhanced the Finance and Audit Committee's function in assessing the channels for employees of the Company to report occurrences of possible improprieties in financial reporting and internal control and conferred the Nomination Committee a new function of reviewing the structure, number of members and composition of the Board on a regular basis. Meanwhile, the Company actively implemented works related to liabilities insurance for directors, supervisors and senior management. With the insurance plan considered and approved in the 2011 AGM, the Company had procured insurance coverage from Huatai Property Insurance Company Limited and PICC Property and Casualty Company Limited. After consideration and approval in the Board meeting and the first 2012 EGM of the Company, the Company amended the Articles of Association, the Rules of Procedures for Board Meetings (董事會議事規則) and the Work Rules for the Finance and Audit Committee and the Risk Management Committee, including profit allocation issues. Responsibilities of the Risk Management Committee and the Finance and Audit Committee regarding internal control has been re-classified, and the Risk Management Committee will coordinate the work flow on internal control management.

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

On 29 October 2012, the Company convened the first 2012 EGM. Mr. Liu Li and Mr. Cheung Yukming, independent non-executive Directors, did not attend due to other official duties.

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

The Board has reviewed the corporate governance report of the Company. Except for the requirements that each director shall be subject to retirement by rotation at least once every 3 years as set out in the code provision A.4.2 of the Corporate Governance Code, "Independent non-executive directors should attend general meetings" as set out in the code provision A.6.7 of the Corporate Governance Code and the code provision C.3.3 regarding the "Terms of Reference of the Audit Committee" of the Corporate Governance Code, the Board is of the view that during the Reporting Period the Company has complied with the requirements of the code provisions of Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules and the Corporate Governance Code which came into effect on 1 April 2012.

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

The Company has adopted the Model Code as the codes governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had 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 2012.

XIX. AGM AND CLOSURE OF H SHARE REGISTER OF MEMBERS

The AGM will be held on 7 June 2013. Shareholders whose name appears on the register of members of the Company on 7 May 2013 will be eligible to attend and vote at the annual general meeting ("AGM") to be held on Friday, 7 June 2013. 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, 8 May 2013 to Friday, 7 June 2013, 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, 7 May 2013 for registration. For details of the AGM, please refer to the notice of AGM which is expected to be issued on 19 April 2013. 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 2012. The figures in respect of the results announcement of the Group for the year ended 31 December 2012 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 2012. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Federation of Accountants and consequently no assurance has been expressed by PwC Hong Kong on the preliminary announcement.

XXI. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2012 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 2013 for inspection by the Shareholders.

XXII. DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Definitions

2011 AGM	the 2011 annual general meeting of the Company held on 15 June 2012
Articles of Association	Articles of Association of Metallurgical Corporation of China Ltd.*
A Share(s)	the domestic shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
Board	the board of Directors of the Company
China or PRC	the People's Republic of China, excluding, for purposes of this document only, Hong Kong, Macao and Taiwan
controlling shareholder	has the meaning ascribed thereto under the Listing Rules
Director(s)	the director(s) of the Company, including all executive, non-executive and independent non-executive Directors

H Share(s)	the overseas listed foreign invested shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
HK\$ or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Stock Exchange, Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
independent Director or independent non-executive Director	a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company's affairs
MCC, our Company, the Company	means Metallurgical Corporation of China Ltd.*, a joint stock limited company with limited liability incorporated under the laws of the PRC on 1 December 2008 or, where the context refers to any time prior to its incorporation, the businesses which its predecessors were engaged in and which were subsequently assumed by it pursuant to the Parent reorganisation
the Group	Metallurgical Corporation of China Ltd.* and its subsidiaries collectively

Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
connected person(s)	connected party/parties under A Share listing requirements and connected person(s) under Listing Rules of H Shares
MCC Group, Parent	China Metallurgical Group Corporation
Huludao Nonferrous	MCC Huludao Nonferrous Metals Group Co., Ltd.
Renminbi or RMB	Renminbi, the lawful currency of the PRC
Reporting Period	from 1 January 2012 to 31 December 2012
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
SFO or Securities and Futures Ordinance	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shareholder(s)	holder(s) of share(s) of the Company
State Council	the State Council of the People's Republic of China
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of Metallurgical Corporation of China Ltd.
Corporate Governance Code	the revised Corporate Governance Code contained in Appendix 14 to the Listing Rules coming into effect from 1 April 2012

TECHNICAL TERMS

BT	Build-Transfer, a business model in which the contractor undertakes the financing of construction expenditures and transfers the project back to the proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in instalments pursuant to relevant agreements
dry metric ton	the mineral weight excluding moisture
EPC	commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be responsible for the quality, safety, timely delivery and cost of the project
exploration	activity to prove the location, volume and quality of a mineral occurrence
design	application of engineering theories and techno-economic approaches, based on the prevailing technical standards, for conducting all-round design (including requisite non-standardised equipment design) and techno-economic analysis on newly constructed, expansion and reconstruction projects in respect of their technical process, land construction, civil works and environmental works; provision of design papers and blueprints as the basis for construction work

steel structure

a structure composed of various steel materials connected with each other through welding or bolted joints, which is widely used in industry, civil construction, railways, highways, bridges, power station structural frames, power transmission tower structures, television broadcasting towers, offshore oil platforms, gas pipes, urban infrastructure, national defense construction, and other areas

smelting

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

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

Beijing, the PRC
28 March 2013

As at the date of this announcement, the Board of the Company comprises two executive directors, Mr. Shen Heting and Mr. Guo Wenqing; two non-executive directors, Mr. Jing Tianliang and Mr. Lin Jinzhen; 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*