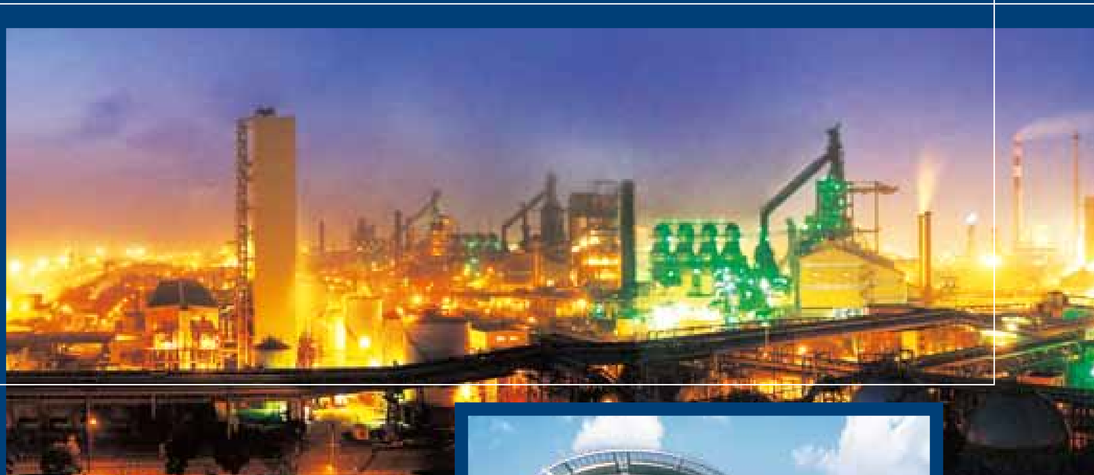
中國冶金科工股份有限公司
METALLURGICAL CORPORATION OF CHINA LTD.*

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

Stock Code: 1618



ANNUAL REPORT 2009

* For identification purposes only

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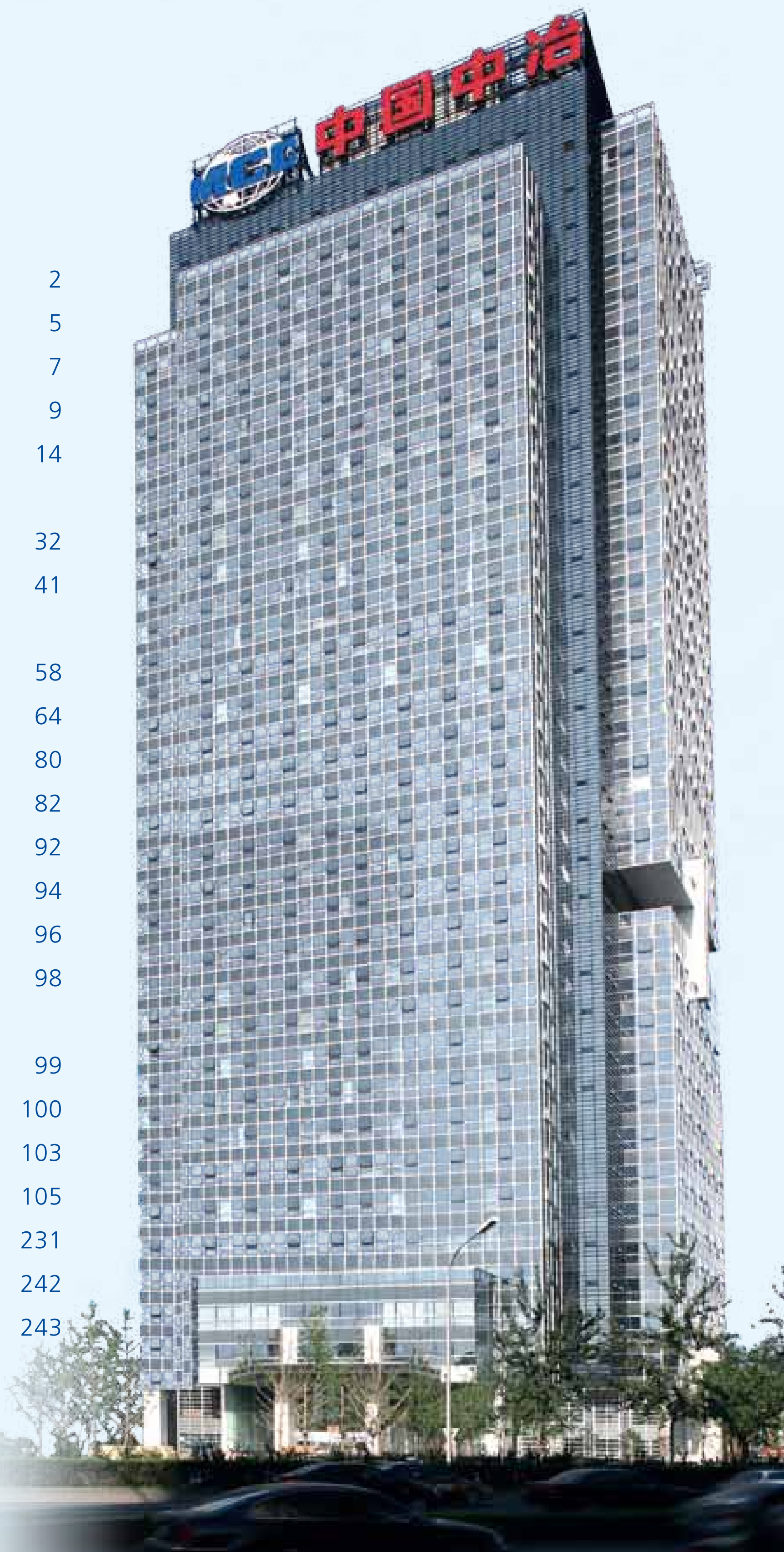


President's Statement

Shen Heting
President and Executive Director

Dear Shareholders and friends,

How time flies! Amid the economic environment of extreme complexity, MCC withstood the impact and trial of the international financial crisis and marched forward, witnessing the very extraordinary year of 2009. In this blossoming season when everything takes on a fresh look, I would like, on behalf of all staff of MCC, to extend our best wishes and deepest appreciation to our shareholders and friends from all circles of life for your continuous concern and support to MCC.

MCC was successfully listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited on 21 September 2009 and 24 September 2009 respectively, which made it the first company listed in both domestic and overseas markets within the year, raising a total proceeds of RMB33,571 million and adding RMB32,089 million to the net assets of the Company. The successful listing of MCC marked further improvement and optimization of its corporate governance and capital structure, which undoubtedly laid a solider foundation for its future development.

In 2009, taking the opportunities brought by the IPO, MCC focused on becoming stronger and more excellent and enhancing its core competitiveness. The Company further deepened its reform to push forward enterprise transformation and adjust industrial structure. The Company also actively seized market opportunities and opened up new markets in active response to the challenges posed by the global financial crisis by trimming cost, enhancing cost effectiveness and improving management quality and growth pattern. Meanwhile, great efforts were made in emerging market to overcome operational difficulties and eliminate adverse factors, which led to a continued steady production and operation.

— Segment revenue and segment result from the engineering and construction segment amounted to RMB136,602 million and RMB6,960 million respectively, representing an increase of 6.69% and 27.19% respectively over the previous year. The proportion of non-steel projects increased significantly, which further optimized the business structure of engineering and construction segment and strengthened our ability in responding to market changes through alleviating the excessive reliance of the engineering and construction business on metallurgical market.

— Segment revenue from the resources development segment amounted to RMB7,644 million, representing a decrease of 19.86% over the previous year, and the segment result amounted to RMB401 million, by overcoming the effect of adverse factors. Key resources projects such as the Ramu nickel-cobalt project in Papua New Guinea, the Aynak copper mine project in Afghanistan and the Cape Lambert iron ore mine project in Australia progressed at a steady pace.

— Segment revenue from the equipment manufacturing segment amounted to RMB9,089 million, and the segment result amounted to RMB209 million, by overcoming the effect of adverse factors. Relevant subsidiaries of the Company achieved not only an increase in the output of equipment manufacturing products but also an improvement in the economic added value and market competitiveness of such products through grasping opportunities arising from adjustment of industrial structure and business transformation and increasing efforts in the industrialization of core technologies.

— Our property development brand "MCC Real Estate"(中冶置業) has established an impressive presence in the PRC property industry. As an early bird in development and construction of social welfare housing, we made every effort to expand development of social welfare housing projects by fully leveraging the favourable external conditions such as policy guidance and bank-enterprise cooperation. The Company has developed and constructed 31 social welfare housing projects since 2009, with a total gross floor area of 13,718,000 sq.m. and a total investment of RMB33,296 million, making it one of the largest social welfare housing developers in China. Furthermore, the Company received wide public attention for its great progress in comprehensive urban development.

President's Statement

The brand influence of "MCC" was further enhanced in 2009. MCC ranked 380th in the Fortune Global 500 companies and ranked 9th among the Top 225 Global Contractors. During the year, we won one gold prize and six silver prizes in the National Quality Construction Awards(國家優質工程獎), seven "Lu Ban Awards"(魯班獎) for construction in China and over 100 major quality construction awards and obtained over 100 patents granted by the State. The Company was also honoured as one of the "National Top 10 Meritorious Enterprises of Corporate Cultural Construction".

In addition, MCC earnestly fulfilled corporate social responsibilities as an enterprise controlled by the PRC Central Government. In the course of resisting the impact of the global financial crisis, MCC proactively sought avenues for sustainable development with a view to securing the rapid and healthy development of the national economy and the society, ensuring preservation and appreciation in the value of state-owned assets as well as long-term return to shareholders. We also serve for the county's modernization and people's livelihood by taking great efforts in the development of social welfare housing and enhancing environmental protection standards of the industry.

In 2010, with the aim to improve the corporate quality and achieve sound and fast development, MCC is to bring the scientific concept of development into full play, with the main theme of improving its development and on the basis of enhancing its principal business to boost our fundamentals. We are to push forward the business transformation and industrial structure adjustment, promote lean management and further speed up the development of new markets, quicken the pace of "going global" and enhance the cultivation of independent innovation ability, in order to open up a new page for the scientific development of MCC.

Under the strong leadership of the board of directors of the Company and with the continuous support of our shareholders and friends from all circles of life, MCC is to weather the storm with confidence, perseverance and dedication going forward. MCC will contribute more to achieve scientific development and build itself into a first-class enterprise with international competitiveness and to achieve the sound and rapid development of the national economy.

President and Executive Director
Shen Heting

Corporate Information

Registered company name (in Chinese)	中國冶金科工股份有限公司
Abbreviation in Chinese	中國中冶
Company name (in English)	Metallurgical Corporation of China Ltd.*
Abbreviation in English	MCC
Legal representative of the Company	Shen Heting
Registered address	No. 11 Gaoliangqiao Xiejie Haidian District Beijing PRC
First registration date of the Company	1 December 2008
Business address in the PRC	MCC Tower, 28 Shuguangxili 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	http://www.mccchina.com
E-mail	ir@mccchina.com
Joint company secretaries	Huang Dan, Ngai Wai Fung
Contact address	MCC Tower, 28, Shuguangxili Chaoyang District, Beijing, PRC
Tel	+86-10-59868666
Fax	+86-10-59868999
Place of listing	Shanghai Stock Exchange, The Stock Exchange of Hong Kong Limited
Abbreviation of stock name	MCC
Stock code	601618 (Shanghai), 1618 (Hong Kong)

* *For identification purpose only*

Corporate Information

H Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited
PRC auditor	Reanda Certified Public Accountants Company Limited
Office address of the PRC auditor	20/F, East Zone, Zhubang 2000 Building, 100, Balizhuang West Lane, Chaoyang District, Beijing, PRC
International auditor	PricewaterhouseCoopers Certified Public Accountants
Office address of the international auditor	22/F, Prince's Building Central Hong Kong
PRC legal advisor	Beijing Jiayuan Law Firm
Office address of the PRC legal advisor	F407, Ocean Plaza 158 Fuxingmennei Avenue Beijing, PRC
Hong Kong legal advisor	Slaughter and May
Office address of the Hong Kong legal advisor	47/F, Jardine House One Connaught Place Central Hong Kong

Company Profile

The Company was established by China Metallurgical Group Corporation and Baosteel Group Corporation as promoters on 1 December 2008 and was listed on the main boards of Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited on 21 September 2009 and 24 September 2009 respectively.

We are a large industrial group operating in various specialized fields, across different industries and in many countries, with engineering and construction, resources development, equipment manufacturing and property development as our principal businesses. We have core competency in innovation and industrialization of technology and strong construction capabilities in metallurgical engineering.

We are one of the largest engineering and construction companies in the PRC and even in the world. We rank 380th among the Fortune Global 500 companies. In 2009, we ranked 27th among the Top 500 Chinese Enterprises and 9th among the Top 225 Global Contractors according to the U.S. Engineering News-Record (ENR).

The Company has 62 principal wholly-owned or non-wholly owned subsidiaries (二級全資及控股子公司) both in the PRC and abroad, which are detailed as follows:

Central Research Institute of Building and Construction Co., Ltd., MCC Group

Beijing MCC Equipment Research & Design Corporation Ltd.

Wuhan Metallurgical Construction Co., Ltd. of MCC Group

MCC Capital Engineering & Research Incorporation Limited

CISDI Engineering Co., Ltd.

WISDRI Engineering & Research Incorporation Limited

Huatian Engineering & Technology Corporation, MCC

BERIS Engineering and Research Corporation

Northern Engineering & Technology Corporation, MCC

ACRE Coking & Refractory Engineering Consulting Corporation, MCC

Zhong Ye Chang Tian International Engineering Co., Ltd.

China Enfi Engineering Co., Ltd.

CCTEC Engineering Co., Ltd.

Shen Kan Engineering & Technology Corporation, MCC

MCC Huludao Nonferrous Metals Group Co., Ltd.

MCC Minera Sierra Grande S.A.

MCC Tongsin Resources Ltd.

MCC Xiangxi Mining Co., Ltd.

MCC-JJJ Mining Development Company Limited

MCC Real Estate Co., Ltd.

MCC Overseas Ltd.

MCC International Incorporation Ltd.

China MCC International Economic and Trade Co., Ltd.

MCC Great Land United Consulting and Engineering Co., Ltd.

MCC (Guangxi) Mawu expressway construction & development Co., Ltd.

MCC Mining (Western Australia) Pty Ltd.

MCC Finance Corporation Ltd.

Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.

Company Profile

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

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

China First Metallurgical Construction Corporation

China Second Metallurgical Construction Corporation Limited

China MCC 3 Group Co., Ltd.
(中國三冶集團有限公司)

MCC Chenggong Construction Co., Ltd.

MCC Tiangong Construction Corporation Limited

China MCC 17 Group Co., Ltd.
(中國十七冶集團有限公司)

China Metallurgical Construction Co., Ltd.

MCC Shijiu Construction Co., Ltd.

China MCC 20 Construction Co., Ltd.

MCC Jingtang Construction Corporation Limited

MCC Baosteel Technology Services Co., Ltd.

Shanghai Baoye Construction Corp., Ltd.

MCC Hi-Tech Engineering Co., Ltd.

MCC Communication Engineering Technology Co., Ltd.

MCC Huaye Resources Development Co., Ltd.

Chongqing Iron and Steel Designing Institute Co., Ltd.

Wuhan Iron and Steel Design & Research Incorporation Limited

MCC Maanshan I&S Design and Research Institute Co., Ltd.

Baotou Engineering & Research Corp. of Iron and Steel Industry

Anshan Engineering & Research Incorporation of Metallurgical Industry

Anshan Coking and Refractory Engineering Consulting Corporation

Changsha Metallurgical Design & Research Institute Co., Ltd.

Wuhan Research Institute of Metallurgical Construction Co., Ltd.

Shenyang Institute of Geotechnical Investigation Corporation, MCC

China MCC 5 Group Co., Ltd.
(中國五冶集團有限公司)

China 13th Metallurgical Construction Corporation

China No. 18 Metallurgical Construction Co., Ltd.

China MCC 19 Group Co., Ltd.
(中國十九冶集團有限公司)

China MCC 22 Group Co., Ltd.
(中國二十二冶集團有限公司)

North China Metallurgical Construction Co., Ltd.

Ramu NiCo Management (MCC) Limited

MCC Australia Holding Pty Ltd.

1. OVERVIEW

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

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

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

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

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

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

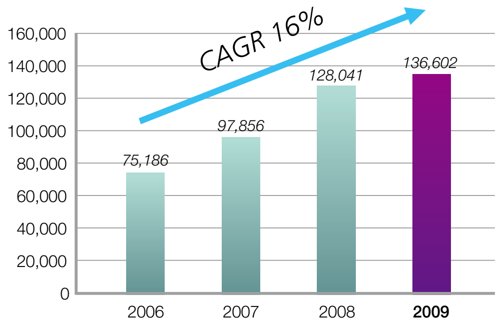
- Total equity amounted to RMB43,692 million, representing an increase of RMB36,064 million or 472.78% from RMB7,628 million in 2008.

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

2. REVENUE FROM PRINCIPAL BUSINESS SEGMENTS

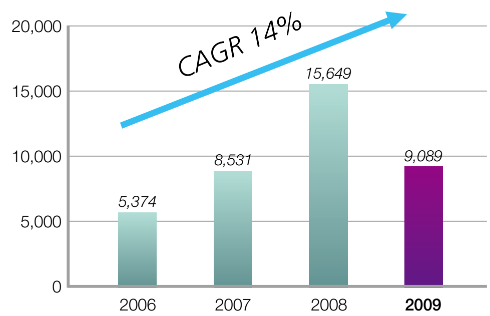
Engineering and construction business

(Unit: RMB million)



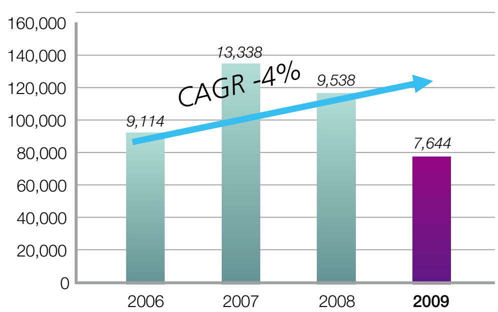
Equipment manufacturing business

(Unit: RMB million)



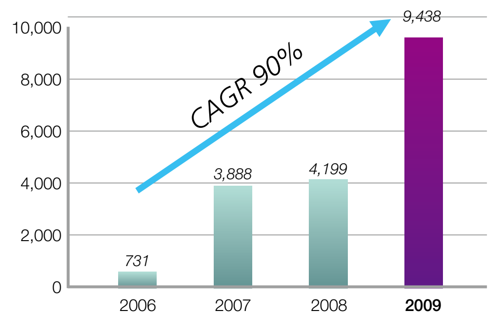
Resources development business

(Unit: RMB million)



Property development business

(Unit: RMB million)



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

- Engineering and construction business

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

- Equipment manufacturing business

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

- Resources development business

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

- Property development business

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

- Other businesses

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

3. SUMMARY OF FINANCIAL STATEMENTS

Summary of financial statements prepared in accordance with IFRS

Consolidated Income Statement

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

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

Summary of Consolidated Total Assets and Total Liabilities

	As at 31 December	
	2009	2008
	RMB million	*RMB million*
Total assets	**228,273**	170,918
Total liabilities	**184,581**	163,290
Net assets	**43,692**	7,628

1. INDUSTRY DEVELOPMENT

(1) Engineering and Construction Industry

China's national economy continued its steady growth in 2009, with the national GDP amounting to RMB33.53 trillion, up 8.7% as compared with 2008 in terms of comparable prices. The country's fixed asset investments aggregated RMB22.48 trillion, representing an increase of 30.1% as compared with 2008. The total investment set for newly commenced projects amounted to RMB15.19 trillion, representing a growth of 67.2% over 2008. The continuous growth of fixed asset investments, in particular newly commenced project investments, has driven the development of the entire engineering and construction industry.

The industry in which the Company operates its engineering and construction business was able to maintain its steady growth, or even exhibited a growth momentum, and in turn promoted the growth of the Company's engineering and construction operations. China's iron and steel industry witnessed a full recovery since May 2009, with production capacity steadily picked up month after month. As at the end of the year, annual crude steel output aggregated 567.84 million tons, up 24.65% over 2008, while pig iron output amounted to 543.75 million tons, up 15.9% over 2008. In 2009, China stepped up the construction of infrastructures through ten countermeasures designed to boost domestic consumption amidst the financial crisis. As such, total output of China's construction industry for the year reached RMB7,586,400 million, representing a growth of 22.3% over 2008. The total GFA under construction by the construction industry was 5,870 million sq.m., representing an increase of 10.7% over 2008, among which the GFA under construction by property development enterprises was 3,196 million sq.m., representing an increase of 12.8%. Area of newly commenced construction was 1,154 million sq.m., representing an increase of 12.5%, while the GFA completed amounted to 702 million sq.m., up 5.5% over last year. In 2009, completed fixed asset investments in China's ferrous metallurgy and rolling processing industry totaled RMB320,612 million, representing a level more or less the same as that in 2008. Total fixed asset investments in China's non-ferrous metallurgy and rolling processing industry was RMB220,199 million, representing an increase of 16.8% over 2008.

(2) Resources Development Industry

As regards the resources development industry in which the Company operates its business, the financial crisis in 2009 impacted on the field of base metal products, including iron ore, copper, nickel, lead and zinc. As such, both output and consumption were exposed to a certain degree of fluctuations from the global perspective. However, the consumption of nickel and zinc still maintained rapid growth. As for China, in 2009, driven by the PRC government's initiatives to step up investment in infrastructure construction for the sake of promoting domestic consumption, the demand for base metals remained strong in the domestic market. The consumption of copper and nickel increased by 43.8% and 97.0% respectively, which in turn facilitated the growth of output.

Output and Consumption of the Resources Development Industry in 2008 and 2009

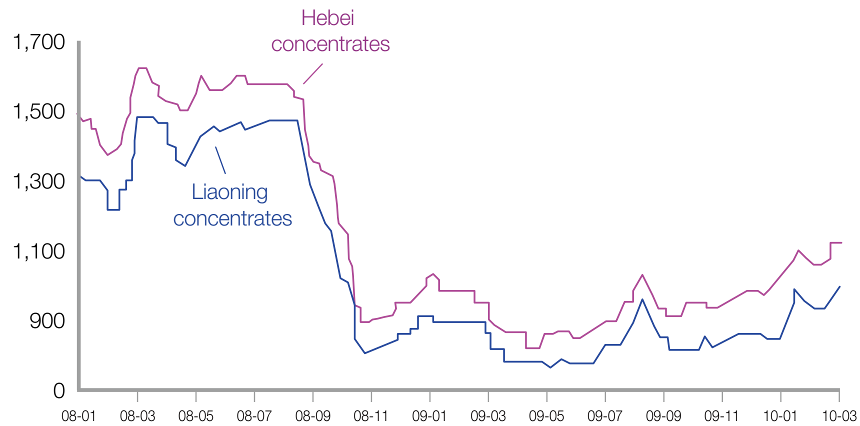
		World			China		
Type		2008	**2009**	Growth rate	2008	**2009**	Growth rate
Output	Iron ore	2,211			824.011	**990.17**	20.2%
(Unit: million tons)	Copper	18.484	**18.588**	0.6%	4.128	**4.903**	18.8%
	Nickel	1.354	**1.693**	25.0%	0.171	**0.265**	55.0%
	Lead	8.693	**8.882**	2.2%	3.206	**3.807**	18.7%
	Zinc	11.614	**11.273**	-2.9%	3.913	**4.351**	11.2%
Consumption	Iron ore	2,211			1,268		
(Unit: million tons)	Copper	18.102	**18.643**	3.0%	5.134	**7.382**	43.8%
	Nickel	1.297	**1.655**	27.6%	0.305	**0.601**	97.0%
	Lead	8.722	**8.848**	1.4%	3.135	**3.971**	26.7%
	Zinc	11.411	**14.349**	25.7%	4.016	**5.013**	24.8%

Note: (1) Data of copper, lead, zinc and nickel was sourced from《Metal Statistics》; the figures of 2009 are estimates only.

(2) Data concerning China's iron ore was sourced from China Steel Industry Association.

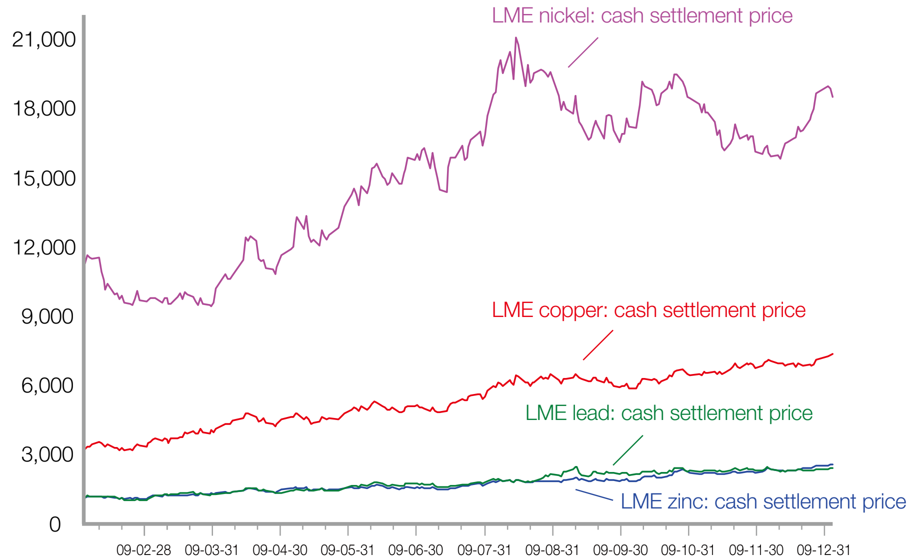
Price Trend of Iron Concentrates in China in 2009

Unit: RMB/ton



Several Cash Settlement Price Charts of LME in 2009

Unit: US$/ton



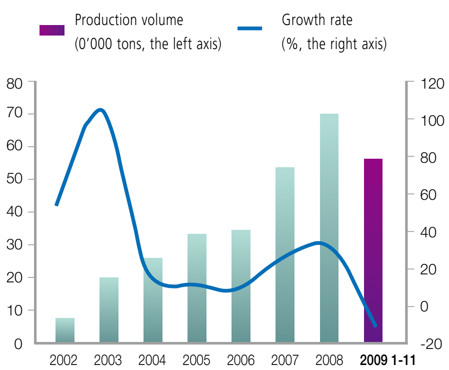
(3) Equipment Manufacturing Industry

The output of the specialized metallurgical equipment manufacturing industry in which the Company operates its business grew at a relatively low level in 2009.

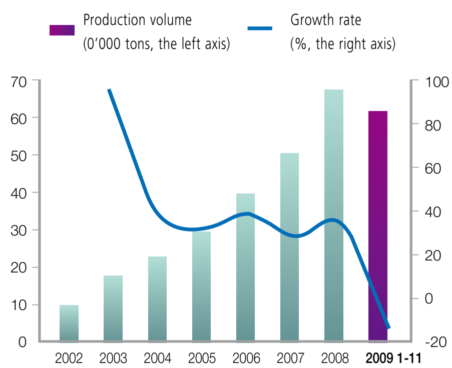
The demand for specialized metallurgical equipment mainly came from the fixed asset investments and consumption for daily production in the iron and steel industry, and was driven by capacity expansion and product structure upgrades of the iron and steel industry. Given the longer production cycle of the industry, the adoption of order-based production and the relatively lagging impact of economic cycles on the industry, the aftermath of the global financial crisis erupted in 2008 started to impact on the metallurgical equipment manufacturing industry in 2009. During the period from January to November in 2009, output from the metallurgical equipment industry amounted to 1.1749 million tons, representing a decrease of 11.85% over last year. Among which, the output of metal smelting equipment was 568,600 tons, representing a year-on-year decrease of 10.96%. The output of metal rolling equipment amounted to 606,400 tons, representing a decrease of 12.68% over the corresponding period of last year, posting a significant fall as compared with the continuous surge of 20-30% over the previous years.

Nevertheless, on the back of the Revitalisation Plan of the Equipment Manufacturing Industry kicked off by the PRC government in early 2009, players in the equipment manufacturing industry had stepped up their technology input and enhanced the added value of their products, and thus managed to increase their revenue despite a slumping output. During the period from January to November in 2009, revenue earned by the metallurgical equipment industry amounted to RMB79,260 million, representing an increase of 9.74% over the corresponding period of last year. Total industry output was RMB84,227 million, up 10.55% over the corresponding period of last year. Sales of the industry amounted to RMB77,623 million, up 10.24% over the corresponding period of last year.

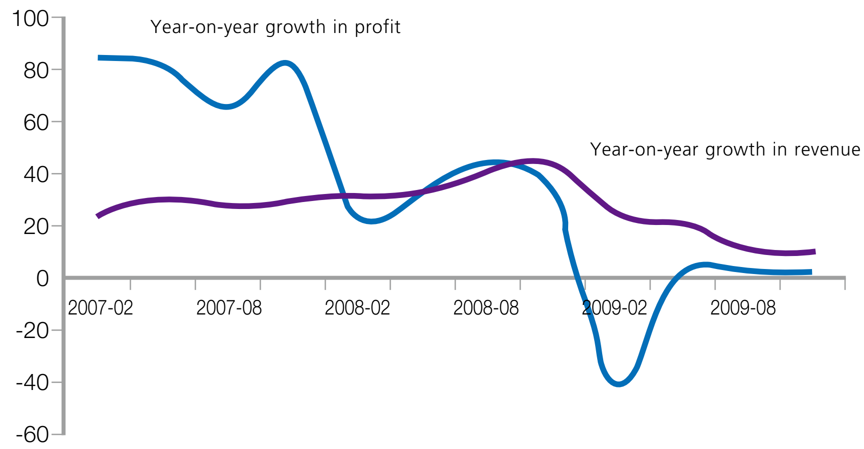
Annual Output of Metallurgical Equipment



Annual Output of Metal Rolling Equipment



Year-on-year Growth in Revenue and Profit Growth of the Metallurgical Equipment Manufacturing Industry (%)



(Source: market research results on www.chuandong.com)

Besides, in its Eleventh Five-Year Plan, the PRC government made clear its intention to press ahead with the development of construction steel structures for promoting the standard of technology application. In 2010, the country endeavors to increase the steel consumption in construction steel structures to 6% of the total national steel output, and to boost the overall technology standard of construction steel structures to a level nearing or at a par with the international advanced standards. With the incentives and support from national policies, the steel structure industry is upgrading itself in terms of both scale and technology.

(4) Property Development Industry

In 2009, investments in China's property development continued to maintain a growth momentum. Completed investments in property development in China amounted to RMB3,623,200 million, representing an increase of 16.1% over the last year, of which commodity residential properties still accounted for the largest portion. Completed investments in the area amounted to RMB2,561,900 million, representing an increase of 14.2% and accounting for 70.7% of the investment in property development.

In 2009, boosted by strong market demand, the growth of sales of commodity residential properties continued to outpace that of construction and in turn led to an imbalance between demand and supply. Residential area completed by property developers in China grew by 6.2% as compared with 2008, while the area of commodity residential properties sold in China grew by 43.9% over 2008, along with an 80.0% increase in the revenue from commodity residential properties.

In order to address the housing problem of low-income families in urban areas, in 2009, the PRC government continued to step up its promotion of social welfare housing through measures such as including the housing problem faced by low-income families in urban cities as one of the pressing tasks aiming at improving people's livelihood, continuously perfecting national policies and systems, as well as propping up investment. China planned to invest RMB167,600 million in the construction of social welfare housing in 2009. In May 2009, the MOHURD, the NDRC and the MOF jointly issued the 2009-2011 Low-rent Housing Protection Plan (《2009-2011年廉租住房保障規劃》), which stated clear that, from 2009 to 2011, the country would strive to largely address the existing housing problem faced by 7.47 million low-income households in three years' time. In accordance with the Notice Concerning the Promotion of the Steady and Healthy Growth of the Property Market (《關於促進房地產市場平穩健康發展的通知》) promulgated by the General Office of the State Council in January 2010, China will further step up its efforts in addressing the existing housing problem, with the focus put on expediting the construction of social welfare housing, expanding the supply of economically affordable housing, and striving to largely address the housing problem faced by 15.40 million low-income households in about three years' time.

2. BUSINESS DEVELOPMENT

(1) Engineering and Construction Business

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

Unit: RMB million

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

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

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

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

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

For details of the typical major engineering projects under the Company's engineering and construction segment that were newly signed or under implementation in 2009, please refer to "Other Material Contracts" as set out on page 238 in this report.

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

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

Table Construction awards received in 2009

(2) Resources Development Business

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

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

1. *Aynak Copper Mine, Afghanistan*

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

2. *Duddar Lead-Zinc Mine, Pakistan*

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

3. *Saindak Copper-Gold Mine, Pakistan*

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

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

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

Table Major operation indicators of Saindak Copper-Gold Mine, Pakistan

4. *Cape Lambert Iron Ore, Australia*

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

5. *Ramu nickel laterite mine, Papua New Guinea*

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

6. *Sierra Grande iron mine, Argentina*

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

(3) Equipment Manufacturing Business

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

The Company is one of the large metallurgical equipment manufacturers in China. Metallurgical equipments produced by the Company include:

- metallurgical equipment such as electric arc furnace, refined-smelting furnace, electroslag remelting furnace and blast furnace with bell-less top;
- continuous casting equipment such as bloom (round) casters, slab casters and billet casters;
- rolling equipment including cold and hot plate rolling and strip rolling mills, bar rolling and wire rolling mills, special rolling mills and painting and plating machine set of certain specifications;
- equipment for steel strip processing lines, including equipment for various types of steel strip processing lines, degreasing, acid cleansing and brushing equipment, pay-off reel machines, coiling machines and leveling machines of certain specifications; and
- ancillary equipment, including cutting equipment, hard gear transmission boxes, high-pressure hydro dephosphorization equipment, coil and plate transportation equipment, forging press and certain spare parts for metallurgical and mining equipment.

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

- construction steel structures, such as high-rise steel structures, residential steel structures, towers and mast steel structures, bridge steel structures, grid structures and light-weight portal frames;
- special steel structures, such as pressure vessels, spherical tanks, blast furnace bodies and so on.

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

Unit: RMB million

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

Table The overall operating results of the equipment manufacturing segment in 2009

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

(4) Property Development Business

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

Unit: RMB million

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

Table Overall operating results of the property development segment

Unit: RMB million, '00 sq.m.

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

Table Specific operating results of the property development segment in 2009

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

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

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

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

3. SCIENTIFIC RESEARCH CONTRIBUTION AND ACHIEVEMENTS

The Company has attached great importance to scientific innovation. During the year of 2009, the Company continued to increase the funding contribution to scientific research and development, with the total contribution in this area amounting to RMB1,450 million, representing 0.88% of the revenue for the year, which was up 42.02% as compared with the previous year. In 2009, the Company was granted one approval from the "Chinese National Engineering Research Center", four "projects under the national 863 program", four "funding projects concerning the technological development and research by scientific research institutions", two "projects concerning the development of key industry technologies in China", six funding projects from the MOF, one scientific research project from the Ministry of Environmental Protection, and 19 projects concerning the subsidies from local governmental authorities. As at the end of 2009, the Company owns an academician from the Chinese Academy of Engineering and 2,678 scientific research and development staff members.

In 2009, the Company was granted two National Science and Technology Advancement Awards and 61 Provincial Science and Technology Advancement Awards. 1,925 new applications for patents (including 702 patents on inventions) were made, while 996 patents (including 90 patents on inventions) were granted approvals. As of 31 December 2009, a total of 2,252 patents were effectively authorised, and 242 of them were patents on inventions. Meanwhile, 234 accreditations on technology achievements were completed. All these patents and achievements mainly touched on the areas of iron and steel metallurgy, non-ferrous metallurgy, engineering and construction materials as well as environmental protection, with 22 of them meeting international leading standards, and 63 of them on a par with international advanced standards. The Company was recognized for the development of 15 National Construction Methods and 6 Provincial Construction Methods. Besides, the Company compiled or participated in the compilation of 43 national technology standards and 28 industry technology standards.

4. PROSPECTS

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

Business Development Strategy:

1. Engineering and Construction Business

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

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

2. Resources Development Business

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

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

3. Equipment Manufacturing Business

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

4. Property Development Business

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

Other strategic measures:

1. Implementation of Internationalization Strategy

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

2. Enhancement of Management Standards

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

3. Promotion of Technology Innovation

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

4. Stressing on Talent Cultivation

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

5. Strengthen the Development of Corporate Culture

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

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	13,000,000,000	100	—	—	—	-261,000,000*	-261,000,000	12,739,000,000	66.66
2. Shares held by State-owned legal person	—	—	—	—	—	—	—	—	—
3. Other domestic shareholding	—	—	1,233,653,000	—	—	-1,233,653,000	0	—	—
Including: Shares held by domestic non state-owned legal person	—	—	1,233,653,000	—	—	-1,233,653,000	0	—	—
Shares held by domestic individuals	—	—	—	—	—	—	—	—	—
4. Foreign shareholding	—	—	305,155,000	—	—	—	305,155,000	305,155,000	1.60
Including: Shares held by overseas legal person	—	—	305,155,000	—	—	—	305,155,000	305,155,000	1.60
Shares held by overseas individuals	—	—	—	—	—	—	—	—	—
II. Shares not subject to selling restrictions									
1. Renminbi-denominated ordinary shares	—	—	2,266,347,000	—	—	1,233,653,000	3,500,000,000	3,500,000,000	18.31
2. PRC-listed foreign shares	—	—	—	—	—	—	—	—	—
3. Overseas-listed foreign shares	—	—	2,565,845,000	—	—	—	2,565,845,000	2,565,845,000	13.43
4. Others	—	—	—	—	—	—	—	—	—
III. Total number of shares	13,000,000,000	100	6,371,000,000	—	—	-261,000,000	6,110,000,000	19,110,000,000	100

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

1. *Approval for the change in share capital*

As approved by CSRC and Shanghai Stock Exchange, in September 2009, the Company issued 3,500,000,000 A Shares of nominal value RMB1.00 each at RMB5.42 per share which were listed at Shanghai Stock Exchange on 21 September 2009.

As approved by CSRC and the Hong Kong Stock Exchange, in September 2009, the Company issued 2,871,000,000 H Shares of nominal value RMB1.00 each (without exercise of the over-allotment option) at HK$6.35 per share, which were listed at the Main Board of the Hong Kong Stock Exchange on 24 September 2009.

2. *Transfer registration for the change in share capital*

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

(2) Changes in shares subject to selling restrictions

Unit: Share

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

II. ISSUE AND LISTING OF SECURITIES

(1) Issue of securities in last three years

Unit: Share

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

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

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

(2) Change in total share capital and share capital structure

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

(3) Existing employee shares

The Company had no employee shares during the Reporting Period.

III. PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON (DURING THE REPORTING PERIOD)

(1) Number of Shareholders and their shareholding

1. *Number of Shareholders and their shareholding*

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

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

Particulars of the top 10 Shareholders

Unit: share

Name of Shareholder	Nature of Shareholder	Shareholding percentage (%)	Total number of shares held	Change during the Reporting Period	Number of shares subject to selling restrictions held	Number of shares pledged or frozen
China Metallurgical Group Corporation	state	64.18	12,265,108,500	-604,891,500	12,265,108,500	Nil
HKSCC Nominees Limited	others	14.95	2,857,833,000	2,857,833,000	305,155,000	Unknown
The National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶)	state	1.83	350,000,000	350,000,000	350,000,000	Unknown
Baosteel Group Corporation	state	0.65	123,891,500	-6,108,500	123,891,500	Unknown
Hongyuan-CCB-Hongyuan Domestic Demand Growth Collective Asset Management Plan (宏源－建行－宏源內需成長集合資產管理計劃)	others	0.21	39,600,000	39,600,000	—	Unknown
ICBC– Penghua Quality Management Securities Investment Fund (中國工商銀行－鵬華優質治理股票型證券投資基金)(LOF)	others	0.16	30,999,853	30,999,853	—	Unknown
Bank of China — Harvest CSI 300 Index Securities Investment Fund (中國銀行－嘉實滬深300指數證券投資基金)	others	0.11	21,135,216	21,135,216	—	Unknown
Citic Securities Co., Ltd.	others	0.11	20,344,690	20,344,690	—	Unknown
China Life Insurance Company Limited — Traditional — general insurance products — 005L-CT001 Shanghai (中國人壽保險股份有限公司－傳統－普通保險產品－005L－CT001滬)	others	0.09	16,538,114	16,538,114	—	Unknown
CSIC Finance Co., Ltd. (中船重工財務有限責任公司)	others	0.09	16,537,948	16,537,948	—	Unknown

2. *Particulars of top 10 holders of shares not subject to selling restrictions*

Name of Shareholder	Number of shares not subject to selling restrictions held	Type of shares
HKSCC Nominees Limited*	2,552,678,000	H Shares
Hongyuan-CCB-Hongyuan Domestic Demand Growth Collective Asset Management Plan(宏源－建行－宏源內需成長集合資產管理計劃)	39,600,000	A Shares
ICBC — Penghua Quality Management Securities Investment Fund (中國工商銀行－鵬華優質治理股票型證券投資基金)(LOF)	30,999,853	A Shares
Bank of China — Harvest CSI 300 Index Securities Investment Fund (中國銀行－嘉實滬深300指數證券投資基金)	21,135,216	A Shares
Citic Securities Co., Ltd.	20,344,690	A Shares
China Life Insurance Company Limited — Traditional — general insurance products-005L-CT001 Shanghai (中國人壽保險股份有限公司－傳統－普通保險產品－005L－CT001滬)	16,538,114	A Shares
CSIC Finance Co.,Ltd. (中船重工財務有限責任公司)	16,537,948	A Shares
PICC Property and Casualty Company Limited — Traditional — general insurance products-008C-CT001 Shanghai(中國人民財產保險股份有限公司－傳統－普通保險產品－008C－CT001滬)	16,537,948	A Shares

Name of Shareholder	Number of shares not subject to selling restrictions held	Type of shares
China Life Insurance Company Limited — Dividends — Group dividends-005L-FH001 Shanghai (中國人壽保險股份有限公司－分紅－團體分紅－005L－FH001滬)	16,537,948	A Shares
China Life Insurance Company Limited — Dividends — Individual dividends-005L-FH002 Shanghai (中國人壽保險股份有限公司－分紅－個人分紅－005L－FH002滬)	16,537,948	A Shares

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

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

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

Unit: Share

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

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

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

(2) Controlling Shareholder and Ultimate Controlling Person

1. *Controlling shareholder*

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

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

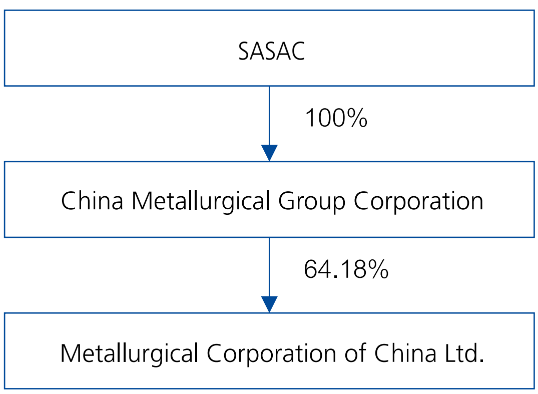
2. *Ultimate controlling person*

SASAC is the ultimate controlling person of the Company.

3. *Changes of controlling shareholder and ultimate controlling person*

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

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



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

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

I. OVERVIEW

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

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

II. CONSOLIDATED OPERATING RESULTS

1. Revenue

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

2. Cost of sales and gross profit

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

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

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

3. Operating profit

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

4. Finance income

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

5. Finance costs

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

6. Share of profits of associates

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

7. Profit before income tax

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

8. Income tax expense

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

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

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

10. Profit attributable to equity holders of the Company

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

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

III. DISCUSSION OF RESULTS BY SEGMENT

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

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

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

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

1. **Engineering and construction**

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

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

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

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

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

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

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

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

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

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

2. Equipment manufacturing

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

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

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

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

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

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

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

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

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

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

3. Resources development

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

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

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

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

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

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

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

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

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

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

4. Property development business

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

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

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

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

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

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

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

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

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

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

5. Other businesses

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

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

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

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

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

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

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

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

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

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

IV. LIQUIDITY AND CAPITAL RESOURCES

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

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

1. Information on cash flow

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

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

2. Cash flows from operating activities

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

3. Cash flows from investing activities

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

4. Cash flows from financing activities

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

5. Capital expenditures

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

The following table sets forth the capital expenditures by segment for the years ended 31 December 2009 and 2008.

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

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

6. **Working capital**

Trade receivables and trade payables.

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

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

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

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

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

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

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

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

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

7. **Retentions**

The following table sets forth the book value of retentions for the years ended 31 December 2009 and 2008.

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

V. INDEBTEDNESS

1. Borrowings

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

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

The Company's borrowings are principally denominated in RMB and U.S. dollar. The following table sets forth book value of our borrowings denominated in RMB and U.S. dollar for the years ended 31 December 2009 and 2008.

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

2. Financial Guarantee

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

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

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

3. Contingencies

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

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

VI. MARKET RISKS

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

1. Interest Rate Risk

Our exposure to interest rate risk relates principally to our restricted cash, cash and cash equivalents, trade and other receivables and borrowings. Restricted cash, cash and cash equivalents, trade and other receivables and borrowings at variable rates expose us to cash flow interest-rate risk, and those at fixed rates expose us to fair value interest-rate risk.

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

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

2. Foreign Exchange Risk

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

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

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

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

3. Price Risk

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

4. Credit Risk

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

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

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

5. Liquidity Risk

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

Biographies of the Directors, Supervisors and Senior Management of the Company as at 31 December 2009 are set out below. Mr. Liu Benren resigned as the chairman and non-executive Director of the Company on 9 March 2010.

I. DIRECTORS

Mr. Liu Benren (劉本仁), age 67, served as Chairman and non-executive Director of the Company during the Reporting Period.Mr. Liu is a professor-level senior engineer who graduated from Wuhan Institute of Metallurgy (武漢鋼鐵學院) in 1965 with a Bachelor's degree in steel rolling, and obtained postgraduate qualification from the Central Communist Party School in 1986. Prior to joining China Metallurgical Group Corporation in August 2007, Mr. Liu had served as manager of Wusteel Hot Rolling Plant (武鋼熱軋廠) and vice chief engineer, vice general manager and general manager of Wuhan Iron and Steel (Group) Corporation. Mr. Liu has been serving as an external director of Shenhua Group Corporation Limited since November 2005 and chairman of China Metallurgical Group Corporation since August 2007. Mr. Liu is currently an external director of Shenhua Group Corporation Limited and a non-executive director of Fosun International Limited. Mr. Liu was a deputy to the 8th, 9th and 10th National People's Congresses and a member of the 10th National Committee of the Chinese People's Political Consultative Conference. Mr. Liu was appointed as the chairman and non-executive Director of the Company with effect from 28 November 2008. Mr. Liu resigned as the chairman and non-executive Director of the Company on 9 March 2010.

Mr. Wang Weimin (王為民), age 48, is the vice chairman and executive Director of the Company. Mr. Wang is a senior engineer who graduated from Academy of Armored Force Technology (裝甲兵技術學院) in 1984 with a Bachelor's degree in tank mechanical engineering. Mr. Wang joined China Metallurgical Group Corporation in July 2007. He was a cadre of the Training Department of Academy of Armored Force Engineering (裝甲兵工程學院) and a cadre of the Armored Force Political Section of the General Staff Department of the People's Liberation Army (總參裝甲兵政治部). Mr. Wang was a cadre of the Economic and Trade Office of the State Council from July 1992 to July 1993 and a cadre of the Personnel Department of the State Economic and Trade Commission from July 1993 to February 1995, and had served as deputy director, director and deputy director-general of the Technical Progress and the Arms & Equipment Department (技術進步與裝備司) of the State Economic and Trade Commission during the period from February 1995 to May 2003. He served as deputy director-general of the High-tech Industry Department of the NDRC from May 2003 to July 2003 and secretary of the General Office of the SASAC from July 2003 to September 2006. He was secretary for the Office of the Communist Party Committee of the SASAC from September 2006 to July 2007. Mr. Wang served as secretary of the Communist Party Committee and vice chairman of China Metallurgical Group Corporation from July 2007 to September 2008, and has been vice chairman and general manager (legal representative) and vice secretary of the Communist Party Committee of China Metallurgical Group Corporation since September 2008. Mr. Wang has been the chairman of MCC Paper Industry Co., Ltd. (中冶紙業集團有限公司) since August 2009. He was appointed as the vice chairman and executive Director of the Company with effect from 28 November 2008.

Mr. Shen Heting (沈鶴庭), age 55, is the president and executive Director of the Company. Mr. Shen is a professor-level senior engineer who graduated from Tianjin Commercial College in 1987, majoring in business enterprise management, and completed a postgraduate course at the Central Communist Party School in 2004 majoring in world economics. Mr. Shen joined the Company in 1991. He had served as manager assistant, vice manager and manager in the Furnace Construction Company under the 22nd China Metallurgical Construction Corporation (中國第二十二冶金建設公司築爐公司), and general manager of the 22nd China Metallurgical Construction Corporation. Mr. Shen served as a director and general manager of China Metallurgical Construction (Group) Corporation (which changed its name to China Metallurgical Group Corporation in May 2006) from October 2004 to July 2007 and a director, general manager (legal representative) and vice secretary of the Communist Party Committee of China Metallurgical Group Corporation from July 2007 to September 2008, and has been serving as chairman of MCC Xinao Real Estate Development Co., Ltd. (中冶新奧房地產開發有限公司) (which changed its name to MCC Real Estate Co., Ltd. in February 2006) since March 2005 and secretary of the Communist Party Committee and vice chairman of China Metallurgical Group Corporation since September 2008. Mr. Shen was appointed as the president and executive Director of the Company with effect from 28 November 2008.

Mr. Guo Wenqing (國文清), age 45, is the employee representative Director (non-executive Director) of the Company. Mr. Guo is a senior administrative officer (高級政工師) who graduated from Hebei University of Science and Technology in 2001 with a Bachelor's degree in business administration, and obtained an Executive MBA degree from Tsinghua University in 2008. Prior to joining our Company in December 2008, Mr. Guo had served as deputy director, and director and secretary of the Communist Party Committee of the Hebei Province Highways Authority (河北省高速公路管理局), chairman of the board of directors and general manager of Hebei Province Highways Development Company Limited (河北省高速公路開發有限公司), director of the Hebei Province Ports Authority (河北省港航管理局), and secretary of the Communist Party Committee and vice general manager of CRBC International Co., Ltd. From June 2005 to October 2008, he was an executive director and vice general manager and secretary of the Communist Party Committee of CRBC International Co., Ltd. He has served as secretary of the Communist Party Committee of our Company since December 2008, and a director and secretary of the Communist Party Committee of China Metallurgical Group Corporation since April 2009. Mr. Guo was appointed as the employee representative Director (non-executive Director) of the Company with effect from 19 June 2009.

Mr. Jiang Longsheng (蔣龍生), age 64, is an independent non-executive Director of the Company. Mr. Jiang is a senior engineer who graduated from Beijing Petroleum Institute (北京石油學院) in 1970, majoring in oil and gas well engineering. Mr. Jiang joined China Metallurgical Group Corporation in December 2006. Previously he had served as vice chief engineer and chief engineer (drilling) of CNOOC Nanhai West Corporation and general manager of China Offshore Oil Southern Drilling Company. Mr. Jiang served as vice general manager and a member of the Party Group of China National Offshore Oil Corporation from March 1998 to May 2005. He has been serving as an external director of China National Pharmaceutical Group Corporation since December 2005 and was an external director of China Metallurgical Group Corporation from December 2006 to September 2008. Mr. Jiang was appointed as an independent non-executive Director of the Company with effect from 28 November 2008.

Mr. Wen Keqin (文克勤), age 65, is an independent non-executive Director of the Company. Mr. Wen graduated in 1968 from the Department of Engineering of Railway Guard Engineering Institute (鐵道兵學院), majoring in linear tunnel (線隧). Mr. Wen joined China Metallurgical Group Corporation in December 2006. Previously he had served as director of the Local Cadres Administration of the Organisation Department of the Central Committee of the Communist Party of China (中央組織部地方幹部局), vice director-general of the Senior Civil Servants Administration Department (高級公務員管理司), vice director-general and director-general of the Personnel Administration Department (國管人事司), director of the Enterprise Leaders Administrative Bureau (企業領導人員管理局) and director-general of the Policy and Regulation Administration Department (政策法規司) of the Ministry of Personnel. Mr. Wen had served as vice general manager and vice secretary of the Party Group of China Grain Reserves Corporation from 2000 to 2005. He has been a director of China National Pharmaceutical Group Corporation since September 2006, and was an external director of China Metallurgical Group Corporation from December 2006 to September 2008. Mr.Wen currently serves as vice president of Chinese Grain Economics Association. and consultant to the Reserves Branch of China Grain Industry Association (中國糧食行業協會儲備分會). Mr.Wen was appointed as an independent non-executive Director of the Company with effect from 28 November 2008.

Mr. Liu Li(劉力), age 54, is an independent non-executive Director of the Company. Mr. Liu is a professor who graduated from Peking University in 1982 and 1984 with a Bachelor's and a Master's degree in physics, respectively, and obtained an MBA degree from Catholic University of Louvain, Belgium in 1989, majoring in applied economics. Mr. Liu joined the Company in December 2006. Previously he had served as lecturer, associate professor, professor and tutor to doctorate candidates in the Department of Economic Management of the School of Economics of Peking University (which became Guanghua School of Management of Peking University in 1993) and MBA course director and Dean of the Finance and Banking Department of the Guanghua School of Management of Peking University. He has been vice director of the Research Center for Finance & Securities of Peking University since August 2002 and dean of the Department of Finance of Guanghua School of Management of Peking University since September 2007 and executive director of the Center of Financial Engineering and Financial Mathematics of Peking University since September 2008. Mr. Liu served as an external director of China Metallurgical Group Corporation from December 2006 to September 2008. Mr. Liu has had over 20 years of experience in teaching, research and corporate training in relation to corporate finance and the securities market, and has advised on numerous corporate management projects and served as independent directors of listed companies. Mr. Liu was appointed as an independent non-executive Director of the Company with effect from 28 November 2008.

Mr. Chen Yongkuan(陳永寬), age 63, is an independent non-executive Director of the Company. Mr. Chen is a professor who graduated from Wuhan Institute of Hydraulic and Electrical Engineering(武漢水利電力學院)in 1968, majoring in farm hydraulic engineering, and obtained a Master's degree in engineering from Wuhan Institute of Hydraulic and Electrical Engineering(武漢水利電力學院)in 1982. Mr. Chen joined the Company in November 2008. Previously he had served as associate professor, deputy department head, assistant to the dean, deputy dean and dean of the Department of Civil Engineering of Changsha Communications University(長沙交通學院)and director-general of the Education Department of the Ministry of Communications. Mr. Chen had served as secretary of the Communist Party Committee, vice chairman and vice president of China Harbour Construction Company (Group)(中國港灣建設(集團)總公司) from October 1998 to August 2005 and secretary of the Communist Party Committee and vice chairman of China Communications Construction Group Ltd. from August 2005 to August 2007, during which he also served as vice chairman of China Communications Construction Company Limited. Mr. Chen currently serves as an independent director of China South Locomotive & Rolling Stock Corporation Limited. Mr. Chen was appointed as an independent non-executive Director of the Company with effect from 28 November 2008.

Mr. Cheung Yukming(張鈺明), age 56, is an independent non-executive Director of the Company. Mr. Cheung is a certified public accountant registered in Hong Kong and a fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Institute of Bankers, a member of the Institute of Internal Auditors of the United States, a member of the Alliance of Merger and Acquisition Advisors (Chicago, the United States), an associate of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Securities Institute. He obtained a Master's degree in business administration from the University of East Asia, Macau in 1987. Prior to joining our Company in June 2009, Mr. Cheung had served as assistant auditor and senior accountant at PriceWaterhouse, and was a partner of Lau, Cheung, Fung&Chan. He has been an executive director of Lawrence CPA Limited since January 2005 and an independent non-executive director of TravelSky Technology Limited since March 2010. Mr. Cheung was appointed as an independent non-executive Director of the Company with effect from 19 June 2009.

II. SUPERVISORS

Mr. Han Changlin (韓長林), age 58, is the chairman of the Supervisory Committee of the Company. Mr. Han is a senior accountant who graduated in 1986 from Shanghai School of Finance and Economics (上海財經大學), majoring in accounting. Mr. Han joined the Company in 1998. Previously he had served as cost accountant, accountant and deputy director of the Finance Division, assistant to the manager and chief accountant of the 7th Company under the 13th China Metallurgical Construction Corporation (中國第十三冶金建設公司七公司) and deputy director of the Finance Office of the Construction Department of the Ministry of Metallurgical Industry. He served as director of the Corporate Finance Office and director of the Pricing Office of the Economic Regulation Department (經濟調節司) of the Ministry of Metallurgical Industry, and deputy director of the Audit Office of the Ministry of Metallurgical Industry (under the National Audit Office) (審計署駐冶金工業部審計局). He was a director, chief accountant and vice general manager of China Metallurgical Construction (Group) Corporation. Since November 2004, Mr. Han has been serving as a director of China Metallurgical Construction (Group) Corporation (which is now known as China Metallurgical Group Corporation). Mr. Han was appointed as a Supervisor of the Company with effect from 28 November 2008.

Mr. Peng Haiqing (彭海清), age 38, is a Supervisor of the Company. Mr. Peng is a senior accountant who graduated from the Department of Economic Management of the Qinhuangdao branch of Northeastern University in 1993 with a Bachelor's degree in industrial accounting. Mr. Peng joined the Company in July 1993. Previously he had served as assistant to the director of the Finance Division, deputy director of the Enterprise Management Office, secretary to the manager and deputy director of the Economic Office of the 3rd Company under Shanghai Bao Steel Metallurgical Construction Corp. (上海寶鋼冶金建設公司). Mr. Peng was director of the Cost Management Division of the Finance Office of Shanghai Bao Steel Metallurgical Construction Corp. from September 2000 to January 2003 and deputy director of the Planning and Finance Department and deputy director of the Audit Department of Shanghai Baoye Construction Corp., Ltd. from January 2003 to December 2005. He was director of the Property Office of the Planning and Finance Department of China Metallurgical Group Corporation from January 2006 to November 2008, and served as director of the Property Office of the Planning and Finance Department of the Company from December 2008 to June 2009. Mr. Peng was appointed as a Supervisor of the Company with effect from 28 November 2008.

Mr. Shao Jinhui (邵金輝), age 59, is the employee representative Supervisor of the Company. Mr. Shao is a senior accountant who graduated from the Department of Infrastructure Economics of Liaoning Finance Institute (遼寧財經學院) in 1982 with a Bachelor's degree in infrastructure finance and credit. Mr. Shao joined China Metallurgical Construction (Group) Corporation in 1995. Previously he had served as deputy director and director of the Finance Office of the Construction Department of the Ministry of Metallurgical Industry and director of the Finance Department of China Metallurgical Construction (Group) Corporation. Mr. Shao had served as director of the Finance Department, the Group Management Department and the Corporate Reform Department of China Metallurgical Construction (Group) Corporation from 1998 to 2006. He served as employee representative supervisor of China Metallurgical Construction (Group) Corporation from 2000 to 2006 and deputy chief economist of China Metallurgical Group Corporation from 2007 to January 2009. He was appointed as deputy chief economist of the Company with effect from January 2009. Mr. Shao currently serves as chairman of MCC Xiangxi Mining Co., Ltd. (中冶湘西礦業有限公司), director of CCTEC Engineering Co., LTD., director of MCC Tongsin Resources Ltd., director of MCC Finance Corporation LTD., chairman of the supervisory committee of CISDI Engineering Co., Ltd. and chairman of the supervisory committee of Northern Engineering & Technology Corporation, MCC. Mr. Shao was appointed as a Supervisor of the Company with effect from 28 November 2008.

III. SENIOR MANAGEMENT

Mr. Shen Heting (沈鶴庭), see "Directors" as stated above.

Ms. Huang Dan (黃丹), age 48, is a vice president and secretary to the Board of the Company. Ms. Huang is a professor-level senior engineer who graduated from the Department of Mine of Central-South Institute of Mining and Metallurgy in 1982 with a Bachelor's degree in mineral separation. Ms. Huang joined the Company in January 1982. Previously she had served as associate engineer, engineer and senior engineer of the Mineral Separation Office, director of the Department of Science and Technology, director of the Department of Personnel and president of Changsha Metallurgical Design & Research Institute. Ms. Huang was the chairman and general manager of Zhong Ye ChangTian International Engineering Co., LTD. and president of Changsha Metallurgical Design& Research Institute from March 2003 to October 2004. She served as vice general manager of China Metallurgical Construction (Group) Corporation (which changed its name to China Metallurgical Group Corporation in May 2006) from October 2004 to September 2008 and secretary to the board of directors of China Metallurgical Group Corporation from November 2006 to January 2009.

Mr. Wang Yongguang (王永光), age 51, is a vice president of the Company. Mr. Wang is a professor-level senior engineer who graduated from Northeastern Institute of Technology in 1982 with a Bachelor's degree in mining, and obtained a Master's degree in mining engineering from Beijing General Research Institute of Mining& Metallurgy in 1986. Mr. Wang joined China Metallurgical Construction (Group) Corporation in November 2004. Previously he had served as an assistant engineer in Zhangjiakou Gold Mine (張家口金礦) in Hebei Province, engineer in the Mining Office of the Beijing General Research Institute of Mining & Metallurgy, deputy director of the Mine Department of the Copper and Nickel Office of China National Nonferrous Metals Industry Corporation (中國有色金屬工業總公司), deputy director of the Enterprise Management Department, manager of the Gansu Branch, director of the Information Center, director-level commissioner in the Copper Center of China National Nonferrous Metals Import and Export Corporation (中國有色金屬進出口總公司), and vice general manager of the Raw Materials Center of Non-Ferrous Metal Industrial and Trade Group Corporation of China (中國有色金屬工業貿易集團公司) Mr. Wang was deputy general manager of China Shougang International Trade & Engineering Corporation from March 1999 to December 2003, during which he served as general manager of Shougang Hierro Peru S.A.A and manager of the Ore Import Department of China Shougang International Trade & Engineering Corporation. He served as chief representative of HISMELT Project of Shougang Group in Australia from December 2003 to November 2004 and vice general manager of China Metallurgical Construction (Group) Corporation (which changed its name to China Metallurgical Group Corporation in May 2006) from November 2004 to September 2008.

Mr. Li Shiyu (李世鈺), age 53, is a vice president and chief accountant (chief financial controller) of the Company. Mr. Li is a senior accountant who graduated from Liaoning University in 1991, majoring in corporate management, and obtained a Master's degree in accounting from Northern Jiaotong University in 1999. Mr. Li joined China Metallurgical Group Corporation in August 2006. Previously he had served as deputy director and director of the Accounting Division of the Finance Department of the 19th Engineering Bureau of the Ministry of Railway (鐵道部第十九工程局) and accountant of the Finance Department of China Railway Construction Corporation. He served as deputy director of the Finance Department of China Railway Construction Corporation from March 1996 to November 1998 and director of the Finance Department of China Railway Construction Corporation from November 1998 to December 2005. Mr. Li was deputy chief accountant of China Railway Construction Corporation from December 2005 to August 2006 and the chief accountant of China Metallurgical Group Corporation from August 2006 to September 2008.

Mr. Zhang Zhaoxiang (張兆祥), age 46, is a vice president of the Company. Mr. Zhang is a professor-level senior engineer who obtained a Bachelor's and a Master's degree in chemical machinery from Tianjin University in 1984 and 1987, respectively. Mr. Zhang joined the Company in 2005. Previously he had served as engineer, deputy director of the Jinchuan Branch, director of the General Office and vice president of Beijing Research Institute of Non-ferrous Metallurgical Equipment (北京有色冶金設計研究總院), and vice president, president and secretary of the Communist Party Committee of China Nonferrous Engineering and Research Institute. During the period from December 2005 to February 2008, he had served as chairman and general manager of China Enfi Engineering Corporation, and president and secretary of the Communist Party Committee of China Nonferrous Engineering and Research Institute. He was chairman of China Enfi Engineering Corporation and president and secretary of the Communist Party Committee of China Nonferrous Engineering and Research Institute from February 2008 to November 2008 and was an executive director, general manager and secretary of the Communist Party Committee of China Enfi Engineering Co., Ltd. from August 2008 to November 2008 following the conversion of China Nonferrous Engineering and Research Institute into China Enfi Engineering Co., Ltd. in August 2008.

Mr. Wang Xiufeng (王秀峰), age 39, is a vice president of the Company. Mr. Wang is a senior accountant who graduated from Northeastern University in 1993 with a Bachelor's degree in industrial accounting and obtained an EMBA degree from Tsinghua University later on. Mr.Wang joined the Company in 1993. Previously he had served as deputy chief accountant and chief accountant of the Electromechanical Company of the 22nd China Metallurgical Construction Corporation (中國第二十二冶金建設公司機電公司) and director of the Planning and Finance Department, deputy chief accountant and vice general manager of the 22nd China Metallurgical Construction Corporation. Mr.Wang was the general manager and vice secretary of the Communist Party Committee of the 22nd China Metallurgical Construction Corporation from December 2004 to November 2006 and was chairman and secretary of the Communist Party Committee of MCC Jingtang Construction Corporation Limited and general manager of the 22nd China Metallurgical Construction Corporation from November 2006 to November 2008 and was an executive director and general manager of China 22nd Metallurgical Construction Corporation Limited from August 2008 to November 2008 following the conversion of the 22nd China Metallurgical Construction Corporation into China 22nd Metallurgical Construction Corporation Limited in August 2008.

IV. JOINT COMPANY SECRETARIES

Ms. Huang Dan (黃丹), see "Senior Management" as stated above.

Mr. Ngai Wai Fung (魏偉峰), FCIS, FCS(PE),CPA, ACCA, aged 48,is the joint company secretary of the Company. Mr. Ngai is a director and head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Ngai is currently the vice president of the Hong Kong Institute of Chartered Secretaries and the chairman of its Membership Committee. Mr. Ngai is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Ngai holds a Master of Corporate Finance degree from the Hong Kong Polytechnic University, a Master of Business Administration degree from Andrews University of the United States and a Bachelor of Laws (with Honours) degree from the University of Wolverhampton, the United Kingdom, respectively. He is also undertaking a PhD course (thesis stage) in Finance at the Shanghai University of Finance and Economics.

The Board presents the Report of Directors and the audited financial statements for the year ended 31 December 2009.

I. PRINCIPAL BUSINESS

The Company is principally engaged in engineering and construction, equipment manufacturing, resources development and property development businesses.

II. RESULTS

The annual results for the year ended 31 December 2009 of the Company are set out in consolidated income statement on page 98. The financial highlights of the Company for last four financial years on page 242 are extracted from the financial statements for the year and the H Shares Prospectus of the Company.

III. DIVIDENDS

In accordance with the Provisional Regulations Relating to Corporate Reorganization of Enterprises and Related Management of State-owned Capital and Financial Treatment(企業公司制改建有關國有資本管理與財務處理的暫行規定)(Cai Qi No. 2002 [313]) issued by the MOF, the Reorganization Agreement entered into between the Parent and the Company and the resolution of our Shareholders' meeting, the Company made a distribution to the Parent in an amount equal to the net profit attributable to Shareholders for the period from 31 December 2007 to 1 December 2008, the date on which the Company was established (the "Pre-establishment Distribution"). In addition, pursuant to the resolution of the Company's Shareholders' meeting, the Shareholders, the Parent and Baosteel, have resolved to make a special distribution to themselves in an amount equal to the net profit of the Company for the period from 2 December 2008, the date immediately after the date on which the Company was established, to 30 June 2009, the latest reference date for audit before the A Share Offering (the "Special Dividend").The Pre-establishment Distribution payable to the Parent was approximately RMB3,121 million and the amounts of the Special Dividend payable to the Parent and Baosteel were approximately RMB2,110 million and RMB21 million, respectively. The Company paid the aforesaid Pre-establishment Distribution and the Special Dividend on 25 August 2009, totalling RMB5,252 million.

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

IV. DONATION

During the Reporting Period, the Company made charitable and other donations amounting to RMB10 million.

V. PROPERTY, PLANT AND EQUIPMENT

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

VI. SUBSIDIARIES AND ASSOCIATES

Details of the interests of the Company in principal subsidiaries and the interest of the Company and its principal subsidiaries in major associates as at 31 December 2009 are set out in Note 47 and Note 48 to the consolidated financial statements.

VII. SHARE CAPITAL

Details of the share capital of the Company are set out in Note 22 to the consolidated financial statements.

VIII. DISCLOSURE OF INTEREST

Directors', Supervisors' and chief executive' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2009, as far as the Company is aware, none of the Directors, Supervisors and chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO) which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or otherwise required to be notified by the Directors or Supervisors to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules nor have they been granted the right to acquire any interests in shares or debentures of the Company or any of its associated corporations.

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

As at 31 December 2009, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO:

Holders of A Shares

Name of substantial shareholder	Capacity	Number of A Shares held *(Shares)*	Nature of interest	Approximate percentage of total issued A Shares *(%)*	Approximate percentage of total issued shares *(%)*
China Metallurgical Group Corporation（中國冶金科工集團有限公司）	Beneficial owner	12,265,108,500	Long position	75.53%	64.18%

Save as disclosed above, to the best knowledge of the Directors, Supervisors and chief executive of the Company, as at 31 December 2009, no other person or corporation was recorded in the registers required to be kept under section 336 of the SFO as having an interest or short position that would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

IX. CONTROLLING SHAREHOLDERS

Details of the controlling shareholders are set out in the section headed "Controlling shareholder" of "Changes in Share Capital and Particulars of Shareholders" in this annual report.

X. MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the amount of purchase from top five suppliers of the Company accounted for less than 30% of the purchase amount of the Company, while aggregate revenue from top five customers of the Company accounted for less than 30% of the total revenue of the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the Reporting Period.

XII. PUBLIC FLOAT

The Company's H Shares were listed on the Hong Kong Stock Exchange on 24 September 2009. From this listing date up to the date of this report, the Company has maintained sufficient public float, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

XIII. RESERVES AND DISTRIBUTABLE RESERVES

Details of changes in reserves of the Company during the Reporting Period are set out in the Consolidated Statement of Changes in Equity on pages 100 to 102 of this report and Note 23 to the consolidated financial statements.

In accordance with the Articles of Association of the Company, the reserve available for distribution for relevant period is the lower of the amounts as shown in the financial statements prepared in accordance with PRC GAAP and IFRSs, respectively.

In accordance with the PRC Company Law, the profits after tax may be distributed as dividends after being duly appropriated to statutory reserves. As at 31 December 2009, the Company had a distributable reserve of approximately RMB2,392 million.

XIV. USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERINGS

The H Shares of the Company were listed on the Main Board of Hong Kong Stock Exchange on 24 September 2009. The Company issued 2,610,000,000 H Shares to investors at an issue price of HK$6.35 per share (equivalent to approximately RMB5.59) and raised net proceeds of HK$15,585 million. As at 31 December 2009, an aggregate proceeds of HK$2,966 million had been applied and the remaining proceeds amounted to HK$12,619 million. The application of the Company's proceeds was in line with the proposed use of proceeds as disclosed in the H Share Prospectus. The proceeds which remain unused temporality have been deposited in the designated account for proceeds raised by the Company.

The Company's A Shares were listed on the Shanghai Stock Exchange on 21 September 2009. Net proceeds raised amounted to RMB18,359 million in total. For the year ended 31 December 2009, the proceeds already used amounted to RMB8,319 million, while the unused portion amounted to RMB10,040 million. Proceeds raised by the Company were used for purposes in line with those set out in the A Share Prospectus. The temporarily unused proceeds have been deposited in the account designated for raised proceeds of the Company.

(I) Use of proceeds raised from A Shares of the Company

Details of investment in relation to the projects financed by the A Share proceeds of the Company in 2009 are set out as follows:

1. RMB2,307 million was applied to Ramu nickel laterite mine project;

2. RMB156 million was used for the establishment of the innovation base project of the National Steel Structures Engineering Technology Research Center;

3. RMB351 million was applied to the project in Caofeidian, Tangshan in relation to 500,000 tonnes of cold bend steel and steel structures project;

4. RMB5,505 million was used for replenishment of working capital and repayment of bank loans.

As at 31 December 2009, the following projects of the Company financed by the proceeds from its A Share Offering did not meet the original plans:

1. Afghanistan Aynak copper mine project: the planned investment of RMB300 million from the proceeds has not been applied to the project in 2009, which was attributable to the deteriorated security condition and the national presidential election in Afghanistan in 2009, causing the Afghanistan government to have delayed the project. Mine sweeping, land transfer and village relocation which should have been completed by the Afghanistan government remain uncompleted.

2. The establishment of the innovation base project of the National Steel Structures Engineering Technology Research Center: an actual investment of RMB156 million out of the planned investment of RMB285 million from the proceeds was invested in the project in 2009, mainly attributable to the adjustment to the project progress as a result of the late receipt of proceeds accordingly.

3. Acquisition project of equipment for engineering and construction and research and development: in view of the Company's changing demand for equipment required for engineering and construction in a fast-growing business and the ever improving technology of equipment to be acquired, the Company intended to adjust the specific construction and specific breakdown of categories of equipment for scientific research involved in the acquisition of equipment. No investment has been made to the project from the proceeds.

4. 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: the planned investment of RMB523 million from the proceeds has not been made to the project in 2009. The project is under normal operation and the proceeds for this project remain unpaid.

5. 500,000 tonnes of cold bend steel and steel structures project in Caofeidian, Tangshan: an actual investment of RMB351 million out of the planned investment of RMB440 million from the proceeds was made to the project in 2009 as the project was not completed at the end of 2009. The balance of proceeds will be applied in 2010.

6. The project in relation to an annual production of 400,000 tonnes of ERW welded pipes by MCC Liaoning Dragon Pipe Industries Co., Ltd.(中冶遼寧德龍鋼管有限公司): the planned investment of RMB115 million from the proceeds has not been made to the project in 2009 due to the late receipt of proceeds and changes in market conditions. Adjustments to specific project construction were made accordingly and the work schedule was delayed.

7. The project in relation to the production base for an annual production of 100,000 tonnes of quality steel structures (a production line for wind tower tube) in Anshan, Liaoning: No investment from the proceeds has been made to be in alignment to the requirements under Notice of Certain Opinions Regarding Restrain on Certain Overcapacities and Duplicated Construction For Healthy Industry Development(《關於抑制部分行業產能過剩和重複建設，引導產業健康發展若干意見的通知》) issued by the State Council. The project is currently under reassessment.

8. Property development project in Gaohang Town, Pudong: the planned investment of RMB202 million from the proceeds has not been made to the project in 2009. The project is under normal operation and no proceeds have been applied as the procedures for the increase in capital upon the receipt of proceeds were in process.

9. The property development project of old town area renovation work (Phase II) in Yuan Yang Town, Jing Kai Yuan, North New District, Chongqing: the planned investment of RMB60 million from the proceeds has not been made to the project in 2009. The project is under normal operation and no proceeds have been applied as the procedures for the increase in capital upon the receipt of proceeds were in process.

Further, the Company held an extraordinary general meeting on 16 March 2010 at which a resolution was passed to approve relevant adjustments to the specific breakdown of categories of equipment purchase for engineering and construction business and research & development, the investment projects as financed by the proceeds from the A Share Offering.

(II) Use of proceeds raised from H Shares of the Company

Details of investments in the projects financed by the H Share proceeds of the Company as at 31 December 2009 are set out as follows:

1. HK$126 million was applied for resources development overseas;

2. HK$1,083 million was applied for overseas construction projects;

3. HK$1,758 million was applied for replenishment of working capital and repayment of bank loans.

Note: Any discrepancies of the used amount of proceeds between total and sums of amounts are due to rounding to two decimal places.

XV. EMPLOYEES AND REMUNERATION POLICY

(I) Employees of the Company

As at 31 December 2009, the Company employed a total of 120,385 staff.

Level of education of employees:

Level of Education	Number of Current Employees	Percentage
Above graduate degree	5,219	4.34%
Undergraduate degree	30,611	25.43%
Associate degree	26,120	21.70%
Below associate degree	58,435	48.53%
Total	120,385	100%

The age structure of current employees:

Age	Number of Current Employees	Percentage
56 and above	2,518	2.09%
51-55	9,888	8.21%
46-50	15,274	12.69%
41-45	21,056	17.49%
36-40	22,042	18.31%
Below 35	49,607	41.21%
Total	120,385	100%

Structure of profession of current employees:

Profession	Number of Current Employees	Percentage
Engineering and construction	98,417	81.75%
Resources development	10,436	8.67%
Equipment manufacturing	11,085	9.21%
Property development and others	447	0.37%
Total	120,385	100%

The Company emphasizes the importance of recruiting, inspiring, developing and retaining talents and pays close attention to the fairness of its remuneration system. The Company implemented a market-based and performance-linked remuneration system. Employees' remuneration is comprised of basic salary, allowance and bonus. In accordance with applicable PRC laws, the Company entered into a labour contract with each of its employees. Labour contracts include provisions such as contract term, wages, working hours, break and vacation, employee benefits, social securities, health and safety, confidentiality obligations and grounds for termination.

In accordance with applicable regulations, the Company established the pension contribution plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance. In accordance with applicable PRC laws and regulations, the amount of contributions of the aforesaid social securities is strictly based on state, provincial and municipal requirements of the PRC. The Company also established an employee housing fund according to applicable PRC regulations.

The Company supports and invests in continuing education programs for the management staff and technical staff. In addition to sending some of the top managers overseas for training and offering annual project management training for its project managers, the Company also established a talents institute and an occupation institute offering management courses and occupational skills training according to the demand for expertise with reference to the Company's development, as part of its commitment to ever upgrade employees' knowledge and skills.

(II) Remunerations of Directors, Supervisors and Senior Management

1. *Determination procedures for remunerations of Directors, Supervisors and Senior Management*

   Remunerations of Directors (not being employee representatives) and Supervisors were considered and approved at the general meeting. The Remuneration Committee of the Company makes remuneration recommendations for senior management which is subject to the Board's review and approval.

2. *Basis for Determination of Remunerations of Directors, Supervisors and Senior Management*

   The remuneration of the Company's independent non-executive Directors for 2009 comprised of basic salary and conference allowances. The standards on the annual basic salary and conference allowances were determined with reference to the Remuneration Standards for External Directors of Pilot Enterprises as promulgated by the SASAC. The Company's executive Directors do not receive remuneration from their positions as Directors but are remunerated in accordance with their positions and performance at the Company.

   The Company's Supervisors receive remuneration in accordance with Management Rules on Remuneration and Assessment and their positions.

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

XVI. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

The Articles of Association of the Company do not have any mandatory provision regarding pre-emptive rights. Subject to the Hong Kong Listing Rules, pursuant to the Articles of Association of the Company, the Company may increase its registered capital by issuing shares through public or non-public offering, issuing bonus shares to the existing Shareholders, converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

Currently, the Company does not have any share option arrangements.

XVII. BANK AND OTHER LOANS

Details of bank and other loans of the Company are set out in Note 25 to the consolidated financial statements.

XVIII. DIRECTORS AND SUPERVISORS

During the Reporting Period, the members of the Board are as below:

Name	Position	Nominating Party	Term of Office
Liu Benren	Chairman, Non-executive Director	Parent Group	November 2008-March 2010
Wang Weimin	Vice Chairman, Executive Director	Parent Group	November 2008-November 2011
Shen Heting	Executive Director, President	Parent Group	November 2008-November 2011
Guo Wenqing	Employee Representative Director	Assembly of employee representatives （公司職工代表大會）	June 2009–November 2011
Jiang Longsheng	Independent non-executive Director	Parent Group	November 2008-November 2011
Wen Keqin	Independent non-executive Director	Parent Group	November 2008-November 2011
Liu Li	Independent non-executive Director	Parent Group	November 2008-November 2011
Chen Yongkuan	Independent non-executive Director	Parent Group	November 2008-November 2011
Cheung Yukming	Independent non-executive Director	Parent Group	June 2009-November 2011

List of members of the Supervisory Committee:

Name	Position	Nominating Party	Term of Office
Han Changlin	Chairman of Supervisory Committee	Parent	November 2008-November 2011
Peng Haiqing	Supervisor	Parent	November 2008-November 2011
Shao Jinhui	Employee representative Supervisor	Assembly of employee representatives （公司職工代表大會）	November 2008-November 2011

XIX. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

None of the Directors and Supervisors has entered into a service contract with the Company or any of its subsidiaries that is not determinable within one year without payment of compensation (other than statutory compensation).

XX. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, its subsidiaries, its holding company or subsidiaries of its holding company was a party and in which a Director or Supervisor of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2009 or at any time during the Reporting Period.

XXI. DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

1. Directors' and Supervisors' emoluments

For the year ended 31 December 2009, the emoluments received by all Directors and Supervisors of the Company are as follows:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary Bonuses	Total
	RMB 'thousand	*RMB 'thousand*	*RMB 'thousand*	*RMB 'thousand*
Directors				
Liu Benren	205	—	—	205
Wang Weimin	273	26	341	640
Shen Heting	273	26	341	640
Guo Wenqing	247	26	307	580
Jiang Longsheng	130	—	—	130
Wen Keqin	129	—	—	129
Liu Li	131	—	—	131
Chen Yongkuan	110	—	—	110
Cheung Yukming	57	—	—	57
Supervisors				
Han Changlin	247	26	307	580
Peng Haiqing	141	25	316	482
Shao Jinhui	185	26	472	683
	2,128	155	2,084	4,367

During the Reporting Period, no Directors or Supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the Directors or Supervisors as an inducement to join or upon joining the Company or as compensation for loss of office.

2. Five highest paid individuals

For the year ended 31 December 2009, none of the Directors' and Supervisors' emoluments as disclosed above were included in the emoluments paid to the five highest paid individuals. Emoluments paid by the Company to the five highest paid individuals during the Reporting Period are as follows:

	2009	2008
	RMB 'thousand	*RMB 'thousand*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**308**	3,498
Contributions to pension plans	**117**	97
Discretionary Bonuses	**9,530**	3,735
	9,955	7,330

XXII. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, as elected at the Assembly of Employee Representatives of the Company and confirmed by the third extraordinary general meeting of the Company in 2009, Mr. Guo Wenqing was appointed as the employee representative Director of the first session of the Board with effect from 19 June 2009. Pursuant to resolution passed at the third extraordinary general meeting of the Company in 2009, Mr. Cheung Yukming was appointed as an independent non-executive Director of the first session of the Board with effect from 19 June 2009.

After the Reporting Period, Mr. Liu Benren resigned as the Chairman, non-executive Director and committee member of related Special Committee of the Company on 9 March 2010. China Metallurgical Group Corporation, the controlling shareholder of the Company, nominated Mr. Jing Tianliang as the non-executive Director of the Company. The relevant resolution will be put forward at the annual general meeting of the Company for consideration and approval.

XXIII. MANAGEMENT CONTRACT

Apart from the service contracts of management personnel of the Company, the Company has not entered into any contract with any individual, company or body corporate to manage or handle the entire or any material part of the Company's business.

XXIV. EXECUTION OF RESOLUTIONS OF GENERAL MEETINGS BY THE BOARD OF DIRECTORS

(1) At the first extraordinary general meeting of the Company in 2009, proposals including the Proposal for 2009 Investment Projects of the Metallurgical Corporation of China Ltd. and the Proposal for 2009 Financial Budget of the Metallurgical Corporation of China Ltd. were considered and approved. Pursuant to the passed resolutions, the Company has approved its investment projects and financial budget.

(2) The Proposal for Adjustment to the Investment Projects Financed by Raised Proceeds from A Share Offering of Metallurgical Corporation of China Ltd. was considered and approved at the second extraordinary general meeting in 2009. Pursuant to the passed resolutions, the Company has made relevant adjustments to relevant projects.

(3) At the third extraordinary general meeting in 2009, the Proposal in Relation to Selection of Independent Directors and Confirmation of Employee Representative Directors of the Metallurgical Corporation of China Ltd. was considered and approved. Pursuant to the passed resolution, the Company has selected and confirmed relevant Directors.

(4) At the fourth extraordinary general meeting in 2009, proposals including the Proposal in Relation to the Profit Distribution Plan of MCC and its subsidiaries for 2008 and the Proposal in Relation to Transfer of State-owned Shares by State-owned Shareholder in the Course of Initial Public Offering and Listing of A Shares were considered and approved. The Company has implemented relevant profit distribution plan in accordance with resolutions passed at the general meeting and completed relevant procedure for transfer of state-owned shares held by the Parent and Baosteel to the National Council for Social Security Fund of the PRC, and was successfully listed in the PRC and Hong Kong in September 2009.

XXV. CONNECTED TRANSACTIONS

Transactions between the Company and its connected persons (as defined in the Hong Kong Listing Rules) constitute connected transactions of the Company under the Hong Kong Listing Rules. These transactions were monitored and managed by the Company in accordance with the Hong Kong Listing Rules.

The amounts of continuing connected transactions of the Company for 2009 were considered and approved at the sixth meeting of the first session of the Board held on 28 August 2009. Set out below are the annual caps of connected transactions of the Company pursuant to the relevant waiver application granted by the Hong Kong Stock Exchange and the actual transaction amount incurred in 2009:

Item	Transaction		Type	Annual Cap *RMB' million*	For the year ended 31 December 2009 *RMB' million*
A.	**Continuing Connected Transaction with Baosteel**				
	1	Procurement of integrated products by us from Baosteel	Cost of sales	1,200	394
	2	Supply of service by us to Baosteel	Revenue	11,100	8,188
B.	**Continuing Connected Transaction with Wusteel**				
	3	Procurement of integrated products by us from Wusteel	Cost of sales	1,000	103
	4	Supply of service by us to Wusteel	Revenue	4,000	2,353
C.	**Continuing Connected Transaction with Ansteel**				
	5	Procurement of integrated products by us from Ansteel	Cost of sales	500	66
	6	Supply of service by us to Ansteel	Revenue	2,800	1,278
D.	**Continuing Connected Transaction with Pansteel**				
	7	Procurement of integrated products by us from Pansteel	Cost of sales	500	69
	8	Supply of service by us to Pansteel	Revenue	3,000	1,411
E.	**Continuing Connected Transaction with Tangsteel** *(note 1)*				
	9	Supply of service by us to Tangsteel	Revenue	3,500	3,148

Item	Transaction		Type	Annual Cap *RMB' million*	For the year ended 31 December 2009 *RMB' million*
F.	**Continuing Connected Transaction with the Parent Group**				
	10	Leasing of land use rights from the Parent Group to us *(note 2)*	N/A	N/A	N/A
	11	Leasing of properties from the Parent Group to the Group *(note 2)*	N/A	N/A	N/A
	12(a)	Supply of raw materials, products and services by the Parent Group to us *(note 2)*	N/A	N/A	N/A
	12(b)	Supply of raw materials, products and services by us to the Parent Group	Revenue	550	408
	13	Licensing of patents by us to the Parent Group *(note 2)*	N/A	N/A	N/A
G.	**Continuing Connected Transaction with Nanjing Hexi**				
	14	Economically affordable housing project undertaken by Zhongye Zhengxing	Revenue	888	799

Notes:

(1) On 31 December 2009, Tangshan Steel Co. Ltd (with its full name changed into "Hebei Steel Co.Ltd" on 20 January 2010), a subsidiary of Tangsteel, transferred its shares in MCC Jingtang Construction Corporation Limited, a subsidiary of the Company, to the Company. Under Rule 14A.31 of the Hong Kong Listing Rules, this transaction was exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules due to that none of the applicable percentage ratios was above 0.1%.

Tangsteel and Hebei Steel Co.Ltd continue to be connected persons of the Company because their controlling shareholder, Hebei Iron & Steel Group, has remained a connected person of the Company.

(2) Each of the percentage ratios (other than the profits ratio) for the three years ending 31 December 2011 is estimated to be less than 0.1%.Therefore, under Rule 14A.33(3) of the Hong Kong Listing Rules, the transaction is exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

1. in the ordinary and usual course of business of the Company;

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

3. in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The auditors of the Company implemented agreed-upon procedures in relation to aforesaid transactions and reported to Directors that these continuing connected transactions:

1. have been approved by the Board of Directors of the Company;

2. as a sample basis, were in accordance with the pricing policies of the Company and its subsidiaries;

3. as a sample basis, have been entered into in accordance with relevant agreements governing the transactions; and

4. the amount of the transactions have not exceeded the relevant caps.

The Company has complied with the relevant disclosure requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the aforesaid continuing connected transactions.

XXVI. COMPETITION

China Metallurgical Group Corporation, the Parent, confirmed that during the Reporting Period it did not breach any undertakings under the Non-competition Undertaking Letter entered into on 5 December 2008 and the Non-competition Agreement entered into between it and the Company on 31 August 2009.

XXVII. PROPERTIES HELD FOR DEVELOPMENT OR SALE

Location	Current use of land	Occupied area Approximation/m²	Floor area Approximation/m²	Status of project	Progress towards completion	Estimated completion date	% of the interests held by the Company
Wutong Dadao located at Tangshan (the east to the western side of Dali Road; the west to the eastern side of Youyi Road; the south to the Chaoyang Road; and the north to the Yuhua Road)	Commercial and residential complex	186,668	499,000	Construction in Progress	66%	2013	100%
Hangyu Building Construction Project (航宇大廈工程) located at F8, Financial Street, Xicheng District	Commercial	8,228	99,780	Construction in Progress	69%	July 2010	100%
Guancheng Centre Project (冠城中心項目) located at No. 56, Madian East Road, Haibin District, Beijing	Commercial and as offices	16,770	143,492	Construction in Progress	99%	August 2010	100%
Xintang Group District A and B — Shan Men Kou Village (善門口村), Hujiayuan Street, Tanggu District, Tianjin City — Xintang Group District (Phase I) — Compensation Housing Project (還遷住宅項目)	Residential	121,772	277,889	Construction in Progress	59%	March 2011	100%
Zhongye Shangcheng	Commodity housing	83,297	150,645	Construction in Progress	78%	2011	100%
Xiaoyun Centre (霄雲中心) located at No.15, Xiaguang Li, Chaoyang District, Beijing)	Apartment offices	9,877	59,598	Construction in Progress	80%	August 2010	100%
Qian Chao Gu Yun (錢潮古運) — Tongzhou District, Beijing	Residential	79,504	225,320	Construction in Progress	65%	July 2010	100%
Beijing Huayuan Restaurant Project (No. 28, Xiaoyun Road, North Dong Shanhuan Road, Dong Zhi Men Wai, Chaoyang District, Beijing)	Hotel serviced apartments, offices	1,199	57,767	Construction in Progress	69%	September 2011	100%
Gushang Jiangnan Residential Area (沽上江南住宅小區)	Residential	32,384	73,445	Construction in Progress	30%	October 2012	100%
MCC Linyin Avenue (中冶林蔭大道) — No. 130, Baihe Road, Economic and Technological Development Zone (South Area)	Commercial and residential	40,081	172,215	Construction in Progress	93%	October 2009	100%
Zone A of Jinyuchi Project Phase II (Jinyuchi Garden, Donghua City, Chongwen District, Beijing)	Commercial and as hotels	13,764	38,733	Construction in Progress	73%	August 2010	100%
Zhongye Yushan Shangyuan — Dongshan International New Town Project (東山國際新城項目)	Commodity housing	136,329	190,861	Construction in Progress	52%	2012	100%
MCC Xiangteng City Plaza (中冶祥騰城市廣場)	Residential	53,631	189,906	Construction in Progress	48%	April 2011	100%

The Directors were of the view that due to the excessive number of properties involved, only details of properties which in the opinion of the Directors are material are included above.

XXVIII. DESIGNATED DEPOSITS AND OVERDUE TIMED DEPOSITS

During the Reporting Period, the Company had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity.

XXIX. COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES UNDER THE HONG KONG LISTING RULES

During the period from 24 September 2009, being the date the H Shares of the Company were listed on the Hong Kong Stock Exchange, to 31 December 2009, the Company had complied with the principles and code provisions of the Corporate Governance Code.

Details of the Company's corporate governance practices are set out in the Corporate Governance Report of this annual report.

XXX. AUDITORS

The Company has appointed PricewaterhouseCoopers and Reanda Certified Public Accountants Company Limited as the international auditor and domestic auditor of the Company for the year ended 31 December 2009 respectively. The financial statements prepared in accordance with IFRS have been audited by PricewaterhouseCoopers. Given that Reanda Certified Public Accountants Company Limited has exceeded the audit term set by the SASAC, the Board proposed to select and appoint only one auditor as the international auditor and domestic auditor of the Company with a view to enhance audit quality and efficiency as well as ensuring audit cost effectiveness. A resolution for the re-appointment of PricewaterhouseCoopers and appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the international auditor and domestic auditor of the Company for the year ending 31 December 2010 respectively will be proposed at the forthcoming annual general meeting.

I. WORK OF THE SUPERVISORY COMMITTEE

The Third Meeting of the First Session of the Supervisory Committee was held on 29 October 2009, at which Proposal for the Third Quarterly Report of Metallurgical Corporation of China Ltd. for 2009 were considered and approved.

The special meeting of the first session of the Supervisory Committee was held on 14 December 2009, at which audit and supervision proposal for 2009 financial statements and work plan for 2010 were discussed.

II. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON LEGAL COMPLIANCE OF THE OPERATIONS OF THE COMPANY

The Supervisory Committee focused its supervision role on the meeting procedure and the way of voting at general meetings and the board meetings as well as the annual financial budget and final accounting, profit distribution and decisions on significant investment as contained in the Board resolutions. It also paid visits to key subsidiaries for inspection.

The Supervisory Committee is of the opinion that the Company strictly complied laws and regulations in the PRC and the Articles of Associations of the Company. The Supervisory Committee was not aware of any actions of the Directors, presidents or senior management of the Company in performing of their duties which may result in a breach of laws or regulations or the Articles of Association or which may damage the interests of the Company and its shareholders.

III. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON INSPECTION OF THE FINANCIAL POSITION OF THE COMPANY

Through analysing monthly preliminary financial report, listening to work report from financial department and visiting key subsidiaries for inspecting their financial management and execution of budget, the Supervisory Committee strengthened its supervision on financial work of the Company. The Supervisory Committee is of the opinion that the Company has a sound financial system which is in compliance with the PRC Accounting Law and relevant financial rules and regulations.

Each of PricewaterhouseCoopers and Reanda Certified Public Accountants Company Limited audited the Company's financial statements for 2009 and issued a standard unqualified auditors' report. The Supervisory Committee conducted communication with relevant parties about the plan for audit work, matters involved in the audit and audit results in respect of annual audit of the financial report of the Company, and requested the respective supervisory committee and supervisors of subsidiaries to provide independent opinion for their respective annual financial report. The Supervisory Committee is of the opinion that the financial report of the Company for 2009 reflects truly and objectively the financial status and result of operations of the Company.

IV. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON THE ACTUAL USE OF THE LATEST PROCEEDS

The Supervisory Committee is of the opinion that the Company managed and used the raised proceeds in accordance with the provisions of the Management System for A Share Proceeds, the Hong Kong Listing Rules and relevant undertakings in 2009. The Supervisory Committee of the Company will continue to supervise and inspect the use of proceeds.

V. INDEPENDENT OPINIONS OF SUPERVISORY COMMITTEE ON ACQUISITION AND DISPOSAL OF ASSETS BY THE COMPANY

The Supervisory Committee is of the opinion that the considerations for the purchase and sale of assets of the Company in 2009 were reasonable. Neither any insider trading nor any behaviour to the detriment of the interests of the Company and shareholders was found.

VI. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON NON-STANDARD OPINION ISSUED BY THE AUDITORS

In 2009, each of the Company's auditors issued a standard unqualified auditors' report for the Company's consolidated financial statements.

VII. THE SUPERVISORY COMMITTEE'S OPINION ON THE SUBSTANTIAL DIFFERENCE BETWEEN THE ACTUAL PROFITS AND THE FORECASTED PROFITS OF THE COMPANY

The Company forecasted in the process of listing in 2009 that the net profit attributable to shareholders of the Company in 2009 would be approximately RMB4,060 million. According to the audited financial report of the Company, the actual net profit attributable to shareholders of the Company amounted to RMB4,465 million, 9.98% higher than the forecast profit.

OVERVIEW

As a company listed on the Main Board of the Hong Kong Stock Exchange, the Company maintains a set of corporate governance principles that are credible, transparent, open and effective, with a view to ensuring the steady and sustainable development of the Company and maximizing Shareholders' benefits. The Board has reviewed the corporate governance documentation of the Company and is of the opinion that the Company has complied with the code provisions of the Corporate Governance Code since 24 September 2009, being the date of listing of the Company's H Shares on the Hong Kong Stock Exchange to the end of the Reporting Period.

The Board considers that the Articles of Association of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司章程》), the Terms of Reference of the General Meetings of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司股東大會議事規則》), the Terms of Reference of the Board of Directors of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司董事會議事規則》), the Terms of Reference of the Supervisory Committee of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司監事會議事規則》), the Work Rules for President of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司總裁工作細則》), the Work Rules for Secretary to the Board of Directors of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司董事會秘書工作規則》), the Work Manual for Independent Directors of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司獨立董事工作制度》), the Administrative Rules Governing Related Parties Transactions of A Shares of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司A股關聯交易管理制度》), the Management Method on Information Disclosure of Metallurgical Corporation of China Ltd.(《中國冶金科工股份有限公司信息披露管理辦法》), the Management Method on Raised Proceeds of A Shares of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司A股募集資金管理制度》), the Management Manual on External Guarantees of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司對外擔保管理制度》), the Management Manual on External Investments of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司對外投資管理辦法》), the Work Rules for Strategy Committee of the Board of Directors of Metallurgical Corporation of China Ltd.(《中國冶金科工股份有限公司董事會戰略委員會工作細則》), the Work Rules for Finance and Audit Committee of the Board of Directors of Metallurgical Corporation of China Ltd.(《中國冶金科工股份有限公司董事會財務與審計委員會工作細則》), the Work Rules for Nomination Committee of the Board of Directors of Metallurgical Corporation of China Ltd.(《中國冶金科工股份有限公司董事會提名委員會工作細則》), the Work Rules for Remuneration Committee of the Board of Directors of Metallurgical Corporation of China Ltd.(《中國冶金科工股份有限公司董事會薪酬與考核委員會工作細則》), as well as the Annual Report Work Manual for Independent Directors of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司獨立董事年報工作制度》), the Annual Report Work Manual for Finance and Audit Committee of the Board of Directors of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司董事會財務與審計委員會年報工作制度》), the Inquiry System for Material Mistakes in Information Disclosure of Annual Report of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司年報信息披露重大差錯責任追究制度》) and the Management System for Insider Information of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司內幕信息管理制度》) which were approved by the Board on 26 March 2010, together constitute the reference bases of the Company's codes on corporate governance practices, which have covered the principles and code provisions in the Corporate Governance Code.

Pursuant the requirements of the PRC Company Law, the PRC Securities Law, the Hong Kong Listing Rules and other laws and regulations, the Company established a corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and senior management. To ensure effective decision making in the Board, four Special Committees, namely the Strategy Committee, the Finance and Audit Committee, the Nomination Committee and the Remuneration Committee.

GENERAL MEETINGS

The general meeting is the organ of authority of the Company and operates in accordance with the PRC Company Law, the Articles of Association of the Company, the Terms of Reference of General Meetings of the Company and other regulations.

During the Reporting Period, the Company held four extraordinary general meetings and considered and passed 15 resolutions. All the meetings were held before the date of listing of the Company's Shares. The meetings were convened in compliance with relevant legal procedures which safeguarded shareholders' participation and exercise of rights.

On 6 February 2009, the Company convened the 2009 first extraordinary general meeting by video conferencing at the headquarters of the Company, during which three proposals, namely the Proposed Investment Plan of Metallurgical Corporation of China Ltd. for 2009 (《關於中國冶金科工股份有限公司2009年度投資計劃的議案》) and the Proposed Financial Budget of Metallurgical Corporation of China Ltd. for 2009 (《關於中國冶金科工股份有限公司2009年度財務預算的議案》) were considered and approved.

On 20 March 2009, the second extraordinary general meeting was convened by way of video conferencing at the headquarters of the Company, during which seven proposals such as the Proposed Adjustments to Investment Projects as Financed by Proceeds From the A Share Offering of Metallurgical Corporation of China Ltd. (《關於中國科工股份有限公司調整A股上市募集資金投資項目的議案》), the Proposed Final Account Report of Metallurgical Corporation of China Ltd. for 2008 (《關於中國科工股份有限公司2008年度財務決算報告的議案》) and the Proposed Grant of General Mandate for Share Issue of Metallurgical Corporation of China Ltd. (《關於中國科工股份有限公司發行股份一般授權的議案》) were considered and approved.

On 19 June 2009, the third extraordinary general meeting was convened by way of on-site meeting at the headquarters of the Company, during which the Proposed Election of Independent Directors of Metallurgical Corporation of China Ltd. and Confirmation of its Employee Representative Director (《關於選舉中國冶金科工股份有限公司獨立董事與確認職工董事的議案》) were considered and approved.

On 18 July 2009, the fourth extraordinary general meeting was convened by way of on-site meeting at the headquarters of the Company, during which four proposals such as the Proposed Profit Distribution Plan of MCC and its Subsidiaries for 2008 (《關於中冶股份及所屬子公司2008年度利潤分配方案的議案》) and the Proposed Transfer of State-owned Shares by Shareholders of State-owned Shares During the Initial Public Offering and Listing of A Shares (《關於首次公開發行A股並上市過程中國有股東轉持國有股的議案》) were considered and approved.

THE BOARD

During the Reporting Period, the Board consisted of nine Directors, including two executive Directors, one non-executive Director, one employee representative Director and five independent non-executive Directors. During the Reporting Period, members of the Board were as follows:

Chairman and non-executive Director:	Mr. Liu Benren
Vice Chairman and executive Director:	Mr. Wang Weimin
President and executive Director:	Mr. Shen Heting
Employee representative Director and non-executive Director:	Mr. Guo Wenqing
Independent non-executive Directors:	Mr. Jiang Longsheng, Mr. Wen Keqin, Mr. Liu Li, Mr. Chen Yongkuan and Mr. Cheung Yukming

Mr. Liu Benren resigned as Chairman and non-executive Director on 9 March 2010. As at the date this report, the Board comprises 8 Directors which remained unchanged except for the resignation of one non-executive Director.

All members of the Board have performed their duties with loyalty, honesty and diligence to best serve the interest of the Company and the shareholders. The Directors are elected and replaced at general meetings. Each Director serves a term of office of three years and may serve consecutive terms upon expiry of his or her term of office if re-elected.

The Company has appointed sufficient number of independent non-executive Directors with relevant professional qualifications including expertise in accounting or financial management as required by the Hong Kong Listing Rules. The Company has received the confirmation issued by all independent non-executive Directors to acknowledge their respective independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Company is of the view that each of the independent non-executive Directors has maintained his independence.

Save for their services to the Company, there is no financial, business and familial connection among the Directors, nor any other material relation with each other.

Save for the Directors' service contracts entered into respectively, no Directors of the Company are materially interested, either directly or indirectly in person, in the material contracts entered into by the Company or any of its subsidiaries in 2009.

DUTIES AND OPERATION OF THE BOARD

The Board is responsible for the holding of general meetings, submission of work report at general meetings, implementation of the resolutions of general meetings, deciding on the Company's business plans and investment plans, the formulation of the Company's proposed annual financial budget and final accounts, the formulation of the Company's profit distribution plan and plan for making up for losses, proposals for the increase or reduction in the Company's registered capital as well as the issue of corporate bond or other securities and the listing plan, the preparation of plans for material acquisition, purchase of the Company's shares, merger, demerger, dissolution or change of the form of the Company and deciding on the establishment of the Company's internal management structure.

There are currently 4 committees established under the Board, each with its terms of reference.

During the period from 24 September 2009, being the date of listing of the Company's H Shares on the Hong Kong Stock Exchange, to 31 December 2009, the roles of the Chairman and the President of the Company were performed by Mr. Liu Benren and Mr. Shen Heting respectively. The division of power between the Board and senior management strictly complies with the Articles of Association of the Company and relevant laws and regulations. The Board formulates the overall strategy of the Company and monitors its financial status. The management is responsible for implementing the strategy and direction as determined by the Board, and is delegated with daily management and administration of the Company. The Chairman and the President perform their respective duties in accordance with corporate governance rules such as the Articles of Association, the Terms of Reference for Board Meetings and the Work Rules for President of the Company.

Functions of the Chairman of the Company include to preside over general meetings and convene and preside over meetings of the Board, to check on and supervise the implementation of the resolutions of the Board; to supervise and examine the performance of each committee under the Board, to organize and formulate rules for different operations of the Board, to coordinate the operation of the Board, to receive regular or random work reports submitted by the senior officers and to advise on the implementation of the resolutions of the Board as well as other functions conferred by laws, administrative regulations, department regulations or the Articles of Association of the Company and authorized by the Board.

The President shall be accountable to the Board and perform his or her duties as required by laws, which mainly include the organization of the implementation of the resolutions of the Board, organization of the implementation of the Company's annual business plan and investment plan, taking charge of the Company's production, operation and management and reporting to the Board, drafting plans for the establishment of the Company's internal management structure, the formulation of the plans for the establishment of branches of the Company, the formulation of the plans for conversion, demerger and reorganization of subsidiaries of the Company, drafting the Company's basic management system, the formulation of specific rules and regulations of the Company, submitting proposals to the Board in respect of the appointment or dismissal of the Company's vice president and charge of finance, the appointment and dismissal of personnel other than those required to be appointed or dismissed by the Board, the formulation of any policies or schemes in respect of employee's remuneration, welfare, bonus and disincentives of the Company, signing shares issued by the Company and important legally binding documents on behalf of the Company as its legal representative, the special disposal of affairs of the Company in case of force majeure events, in great crisis or at times of emergency where meetings of the Board cannot be convened in time in accordance with the laws and the benefits of the Company pursuant to the authorization of the Board, and reporting to the Board, as well as other functions conferred by laws, administrative regulations, department regulations or the Articles of Association and authorized by the Board.

BOARD MEETINGS

The Board holds at least four regular meetings per year. The main agenda of the meetings are dispatched to all Directors 14 days prior to the date of meeting so as to allow Directors to review each proposal with sufficient time.

During the Reporting Period, the Company held 7 Board meetings, details of which are as follows:

Meetings	Date of Meeting	Attendance of Directors
The third meeting of the first session of the Board	6 January 2009	All Directors
The fourth meeting of the first session of the Board	16 March 2009	All Directors
The fifth meeting of the first session of the Board	27 June 2009	All Directors
The sixth meeting of the first session of the Board	28 August 2009	All Directors
The seventh meeting of the first session of the Board	29 October 2009	Liu Benren, Shen Heting, Jiang Longsheng, Wen Keqin, Chen Yongkuan, Cheung Yukming, Liu Li Wang Weimin (Vice Chairman) appointed Liu Benren (Chairman) as his proxy; Guo Wenqing (Director) appointed Shen Heting (Director) as his proxy
The eighth meeting of the first session of the Board	24 November 2009	Liu Benren, Wang Weimin, Jiang Longsheng, Wen Keqin, Chen Yongkuan, Cheung Yukming, Liu Li Guo Wenqing (Director) appointed Liu Benren (Chairman) as his proxy; and Shen Heting (Director) appointed Wang Weimin (Vice Chairman) as his proxy
The ninth meeting of the first session of the Board	28 December 2009	All Directors

The attendance of Board meetings by each of the Directors during the Reporting Period are as follows:

Name of Directors	Number of attendance required for the year	Number of meetings attended in person	Attendance through communication tools	Number of meetings attended by proxy
Liu Benren	7	6	1	0
Wang Weimin	7	5	1	1
Shen Heting	7	5	1	1
Guo Wenqing	5	2	1	2
Jiang Longsheng	7	6	1	0
Wen Keqin	7	6	1	0
Liu Li	7	6	1	0
Chen Yongkuan	7	6	1	0
Cheung Yukming	5	4	1	0

SPECIAL COMMITTEES UNDER THE BOARD

There are four special committees established under the Board, namely the Strategy Committee, the Finance and Audit Committee, the Nomination Committee and the Remuneration Committee. Except for the Strategy Committee, each of the other special committees is mainly composed of independent non-executive Directors and is chaired by independent non-executive Directors. All matters involving professional knowledge must be approved by the special committees before submitting to the Board for consideration. The five independent non-executive Directors are independent of the Company, and have accumulated extensive professional expertise and abundant practical experience in the fields of corporate management, finance and so on, which allow them to act proactively to provide the Company with honest and objective advices and opinions, and play an important role in the establishment of special committees.

(1) The Strategy Committee is mainly responsible for conducting research and submitting proposals regarding the Company's mid-to-long term development strategies and the decision-making over material investments and discharging other duties authorized by the Board.

During the Reporting Period, the Strategy Committee comprised 6 Directors, namely Mr. Liu Benren, Mr. Wang Weimin, Mr. Shen Heting, Mr. Guo Wenqing, Mr. Liu Li and Mr. Chen Yongkuan. Mr. Liu Benren served as the chairman of the Strategy Committee.

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

Mr. Liu Benren resigned as Chairman, non-executive Director and members of relevant special committees on 9 March 2010. As at the date of this report, the Strategy Committee comprises 5 Directors.

(2) The Finance and Audit Committee is mainly responsible for formulating the regulatory system for the Company's finance and major control targets, as well as guiding the Company's finance functions, formulating guarantee management policies and reviewing guarantee business, reviewing annual financial budgets and accounts, supervising their implementation and conducting comparisons and analyses, reviewing the financial analysis of major investment projects and monitoring the execution outcome of investment projects. proposing the appointment or replacement of external auditors, supervising the Company's internal audit system and its implementation, facilitating communications between internal auditors and external auditors, reviewing the Company's financial information and its disclosure; reviewing the Company's internal control systems, and discharging other duties authorized by the Board.

During the Reporting Period, the Finance and Audit Committee comprised 3 Directors, namely Mr. Liu Benren, Mr. Liu Li and Mr. Cheung Yukming. Mr. Liu Li served as the chairman of the Finance and Audit Committee.

During the Reporting Period, the Finance and Audit Committee held two meetings, which were attended by all committee members.

The committee held the first meeting on 26 June 2009, at which reports were made on the audit work of the issuance of A and H Shares by the Company, and arrangements were made in respect of further action to be taken.

The committee held the second meeting on 29 July 2009, at which reports were made on the Company's third quarterly financial report for 2009. Attendants of the meeting were of the opinion that the third quarterly financial report presented fairly the Company's results, and agreed to submit the resolution to the Board for consideration.

Mr. Liu Benren resigned as Chairman, non-executive Director and members of relevant special committees on 9 March 2010. As confirmed by the Directors, Mr. Jiang Longsheng, a Director, was elected as the acting member of the Finance and Audit Committee on and from the same day.

(3) The Nomination Committee is responsible for studying the standards, procedures and methodology for the election of Directors, Presidents and other senior management personnel and submitting the proposals to the Board, extensively identifying qualified candidates to fill the positions of Directors, Presidents and other senior management personnel, assessing the candidates for Directors, Presidents and other senior management personnel and advising the Board and discharging other duties authorized by the Board.

During the Reporting Period, the Nomination Committee comprised 6 Directors, namely Mr. Liu Benren, Mr. Wang Weimin, Mr. Shen Heting, Mr. Jiang Longsheng, Mr. Wen Keqin and Mr. Chen Yongkuan. Mr. Wen Keqin currently serves as the chairman of the Nomination Committee.

During the Reporting Period, the Nomination Committee held one meeting, which was attended by all committee members. The meeting was held on 6 January 2009, at which the thorough and consistent adoption of the Guiding Opinions Concerning the Appointment of Senior Management Personnel by the Board of Directors on a Trial Basis (《關於董事會試點董事會選聘高級管理人員工作指導意見》) put forward by the Organization Department of the CPC Central Committee and the SASAC was studied in detail.

Mr. Liu Benren resigned as Chairman, non-executive Director and members of relevant special committees on 9 March 2010. As at the date this report, the Nomination Committee comprises 5 Directors.

(4) The Remuneration Committee is responsible for studying the assessment standards of Directors and Presidents, organizing assessment initiatives and offering recommendations, studying and reviewing the compensation policies and proposals of Directors and senior management personnel and discharging other duties authorized by the Board.

During the Reporting Period, the Remuneration Committee comprised 3 Directors, namely Mr. Jiang Longsheng, Mr. Wen Keqin and Mr. Chen Yongkuan. Mr. Jiang Longsheng currently serves as the chairman of the Remuneration Committee.

During the Reporting Period, the committee held two meetings altogether, which were attended by all committee members.

The committee held the first meeting on 10 April 2009, at which the Company's Planning and Finance Department and Human Resources Department reported on the performance assessment benchmark and preliminary compensation estimates of senior management personnel in 2008. In addition, arrangement was made in respect of the assessment of senior management personnel in 2008, and the scope and methodology of assessment were determined as well.

The committee held the second meeting on 19 October 2009, at which the 2008 Compensation Proposal in respect of senior management personnel was discussed. After thorough discussion and revisions, the proposal was submitted to the Board for consideration before implementation.

SUPERVISORY COMMITTEE

The Company's Supervisory Committee comprises 3 members, namely Mr. Shao Jinhui, the employee representative Supervisor, Mr. Peng Haiqing and Mr. Han Changlin, the chairman of the Supervisory Committee. The term of office of Supervisors shall be three years, and is renewable upon re-election. The Supervisory Committee is mainly responsible for monitoring the Company's finance and the performance of duties by Directors, managers and senior management personnel to ensure their compliance with relevant laws and regulations, which in turn safeguards the interests of the Company and its shareholders.

During the Reporting Period, the Company's Supervisory Committee held one meeting, at which the resolution in respect of the third quarterly financial report of the Company in 2009 was approved.

TERMS OF NON-EXECUTIVE DIRECTORS

The Directors of the Company include the independent non-executive Directors. Directors are elected and replaced at the Shareholders' general meeting, with a term of office of three years and eligible for re-election upon expiry.

SECURITIES DEALINGS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules (the "Model Code") as the codes governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had complied with the required standard provisions and requirements provided by the Model Code throughout the period from 24 September 2009, being the date of listing of the Company's H Shares on the Hong Kong Stock Exchange, to 31 December 2009.

INTERNAL CONTROL

1. General plan for the establishment of internal control

In accordance with the PRC Company Law, Securities Law, Basic Standard for Enterprise Internal Control issued by the MOF, the Articles of Association and the Work Rules for Finance and Audit Committee of Metallurgical Corporation of China Ltd. of the Company, the Company formulated the Basic Standard for Internal Control of Metallurgical Corporation of China Ltd. With the guidance of it, the Company has set up over 80 management rules for internal control, covering investment management, business management, human resources management, financial management, capital management, internal audit and information disclosure management. In light of the needs of business development, the Company will set up additional internal control systems to improve and revise existing internal control system. In the meantime, the Company will set up assessment mechanism for internal control system and incorporate it into performance assessment system of the Company, with a view to cultivate a healthy internal control environment and make on-going improvement to internal control system.

2. Work plan for establishment of a sound internal control system and its implementation

The Company has initiated the work of all-around risk management which is pushed forward in accordance with pre-set procedures in an all-around and up-down manner. The Company will conduct overall inspection on the internal control practice in 2010, thereby to facilitate on-going improvement of internal control, in an attempt to create an internal control inspection and assessment system adaptive to the needs of the Company's business.

3. Establishment of inspection and supervision department for internal controls

The Company has established the Finance and Audit Committee under the Board, responsible for inspecting internal control of the Company, supervising the implementation and self-assessment thereof, coordinating internal control audit and other related matters. The internal audit department is in charge of supervision and inspection of execution of internal control.

4. Self-assessment of internal supervision and internal control

During the internal audit process, the audit department of the Company incorporated inspection on internal control into its work scope. For the initial purpose of a sound financial internal control system, the financial department of the Company has established on a preliminarily stage a self-assessment working mechanism for financial internal control, which will be spread to other business procedures after being further improved in practice.

5. Work arrangement for internal control by the Board

The Board will strengthen inspection and supervision and assess efficiency and results of execution of internal control system, and further promote a sound management system and a sound assessment system for internal control, so as to continuously enhance internal control management of the Company.

6. Improvement of internal control system relating to financial accounting

The Company formulated and issued a series of management rules on financial management and accounting including Accounting System for Enterprises, Establishment and Use Explanation of Accounting Items, Overall Budget Management Rules, Construction Contract Management Rules, Fixed Assets Management Rules, Management Rules for Internal Transaction and Account Reconciliation, Management Rules for Closure of Account Sets of Financial Statements, Management Rules for Auditing and Analyzing of Financial Statements, ensuring the truthfulness, accuracy and completeness of the financial reports of the Company and safeguarding the Company's assets.

7. Defects of internal control and rectification

No defect of internal control was found in its design and implementation as of the date of this report.

In accordance with the Code C.2.1 of the Corporate Governance Code, the Directors also reviewed the effectiveness of the internal control system of the Company during the Reporting Period, covering matters such as financial control, operation control, compliance control and risk management function control.

ACCOUNTABILITY OF THE DIRECTORS IN RELATION TO FINANCIAL STATEMENTS

The Directors are responsible for the preparation of consolidated financial statements. In preparing the consolidated financial statements for the year ended 31 December 2009, the Directors have selected appropriate accounting policies and applied them consistently and made prudent and reasonable judgment and estimates so as to give a true and fair view of the state of affairs of the Company and of the results and cash flow for that financial year.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 92 of this annual report.

AUDITOR'S REMUNERATION

The Company appointed PricewaterhouseCoopers and Reanda Certified Public Accountants Company Limited as its international and domestic auditors respectively. For the year ended 31 December 2009, the Company paid RMB25 million to PricewaterhouseCoopers and RMB15 million to Reanda Certified Public Accountants Company Limited as annual audit fees of auditing the financial statements.

INFORMATION DISCLOSURE

The Secretary to the Board is responsible for the Company's information disclosure and investor relations functions which are implemented by the Secretariat of the Board. Based on relevant requirements governing the listing in both Shanghai and Hong Kong, the Company has set up a sound information disclosure system, formulated a series of relevant documents including Measures Concerning the Management over Information Disclosure and Implementation Rules Concerning the Management over Information Disclosure, and has compiled a reporting handbook at operational level. Besides, the Company has established a two-level information monitoring and control reporting system for the headquarter and subsidiaries to clearly define the persons responsible for each level as well as duties in relation to information collection, summary and reporting. Since its listing, the Company has performed all information disclosure obligations in compliance with the laws based on the principle of concurrent disclosure by companies listed in several places. The Company ensures timely and effective disclosure of information that is true, accurate and complete by means of statutory channels such as designated newspapers and websites to ensure that the Company's Shareholders are informed of the Company's information fairly.

INVESTOR RELATIONS

In 2009, the Company successfully completed its dual listing in both Shanghai and Hong Kong, and was included as a constituent of the FTSE Xinhua Hong Kong Index, the MSCI China Index and the Hang Seng China Enterprises Index. Through roadshow presentations around the globe, its investor relations website, investor enquiry hotline, investor mailbox and other communication channels, the Company maintains close liaisons with investors worldwide in a timely and efficient manner. Moreover, through investment forums, corporate visits, teleconferences and various other channels, the Company maintains proactive and frank exchanges with investors and analyses. The Company has attached great importance to listening and accepting reasonable suggestions and opinions from Shareholders and investors. It strives to continuously enhance its operating results, present a true picture of the Company's financial and operational status to Shareholders and investors, actively facilitate the internal communications in respect of the feedback from the capital market, and continuously perfect and enrich the system aiming to canvass information in relation to investor relations.

The management over investor relations involves an all-faceted interactive communication process. In 2010, we will further step up our communications and exchanges with investors, in a bid to increase their understanding of the Company, whilst canvassing the support and attention from investors, so that they may provide us with more valuable opinions. The Company will also put great efforts in furthering the exploration and innovation in its investor relations management to bolster the Company's position in domestic and overseas capital markets.

INVESTOR ENQUIRIES

For any enquiries, please contact us by:

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PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

To the shareholders of
Metallurgical Corporation of China Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Metallurgical Corporation of China Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 94 to 230, which comprise the consolidated and company balance sheet as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2009, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 April 2010

Consolidated Balance Sheet

	Note	As at 31 December 2009 RMB 'million	2008 RMB 'million (See note 2.1(d))
ASSETS			
Non-current assets			
Property, plant and equipment	6	**29,790**	21,488
Land use rights	7	**6,272**	5,767
Mining rights	8	**3,668**	3,519
Investment properties	9	**350**	343
Intangible assets	10	**5,271**	3,586
Investments in associates	12	**1,153**	923
Available-for-sale financial assets	14	**1,388**	900
Held-to-maturity financial assets	15	**250**	46
Deferred income tax assets	29	**1,934**	1,580
Trade and other receivables	16	**3,288**	1,734
Other non-current assets		**105**	90
		53,469	39,976
Current assets			
Inventories	19	**11,502**	11,112
Properties under development	19	**20,364**	17,402
Completed properties held for sale	19	**2,545**	367
Trade and other receivables	16	**68,941**	56,706
Amounts due from customers for contract work	18	**25,150**	16,913
Available-for-sale financial assets	14	**27**	12
Held-to-maturity financial assets	15	**51**	—
Financial assets at fair value through profit or loss	17	**301**	2
Restricted cash	20	**1,223**	2,271
Cash and cash equivalents	21	**44,700**	26,157
		174,804	130,942
Total assets		**228,273**	170,918
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	22	**19,110**	13,000
Reserves	23	**17,759**	(11,005)
		36,869	1,995
Non-controlling interests		**6,823**	5,633
Total equity		**43,692**	7,628

The notes on page 105 to 230 are an integral part of these financial statements.

	Note	As at 31 December 2009 RMB 'million	2008 RMB 'million (See note 2.1(d))
LIABILITIES			
Non-current liabilities			
Borrowings	25	**36,373**	18,718
Deferred income	26	**407**	431
Retirement and other supplemental benefit obligations	27	**5,941**	6,225
Provisions for other liabilities and charges	28	**59**	26
Trade and other payables	24	**6,181**	257
Deferred income tax liabilities	29	**639**	605
		49,600	26,262
Current liabilities			
Trade and other payables	24	**88,677**	82,325
Dividends payable		**—**	256
Amounts due to customers for contract work	18	**12,980**	14,030
Current income tax liabilities		**1,058**	791
Borrowings	25	**31,601**	38,721
Retirement and other supplemental benefit obligations	27	**665**	905
		134,981	137,028
Total liabilities		**184,581**	163,290
Total equity and liabilities		**228,273**	170,918
Net current assets/(liabilities)		**39,823**	(6,086)
Total assets less current liabilities		**93,292**	33,890

On behalf of the board

Wang Weimin
Director

Shen Heting
Director

The notes on page 105 to 230 are an integral part of these financial statements.

Balance Sheet of the Company

	Note	As at 31 December 2009 RMB 'million	2008 RMB 'million
ASSETS			
Non-current assets			
Property, plant and equipment		**39**	33
Intangible assets		**8**	6
Investments in subsidiaries	11	**52,800**	37,620
Trade and other receivables	16	**2,399**	895
Other non-current assets		**2**	1
		55,248	38,555
Current assets			
Inventories		**2**	8
Trade and other receivables	16	**15,826**	18,290
Amounts due from customers for contract work	18	**12**	25
Cash and cash equivalents	21	**14,493**	3,636
		30,333	21,959
Total assets		**85,581**	60,514
EQUITY			
Share capital	22	**19,110**	13,000
Reserves	23	**32,242**	6,545
Total equity		**51,352**	19,545
LIABILITIES			
Non-current liabilities			
Borrowings	25	**14,725**	8,650
Retirement and other supplemental benefit obligations		**28**	29
		14,753	8,679

The notes on page 105 to 230 are an integral part of these financial statements.

	Note	As at 31 December 2009 RMB 'million	2008 RMB 'million
Current liabilities			
Trade and other payables	24	**12,650**	12,590
Dividends payable		**—**	256
Amounts due to customers for contract work	18	**418**	403
Borrowings	25	**6,404**	19,036
Retirement and other supplemental benefit obligations		**4**	5
		19,476	32,290
Total liabilities		**34,229**	40,969
Total equity and liabilities		**85,581**	60,514
Net current assets/(liabilities)		**10,857**	(10,331)
Total assets less current liabilities		**66,105**	28,224

On behalf of the board

Wang Weimin
Director

Shen Heting
Director

The notes on page 105 to 230 are an integral part of these financial statements.

Consolidated Income Statement

	Note	Year ended 31 December 2009 RMB 'million	2008 RMB 'million (See note 2.1(d))
Revenue	5	**165,018**	157,887
Cost of sales	32	**(149,117)**	(145,595)
Gross profit		**15,901**	12,292
Selling and marketing expenses	32	**(1,037)**	(928)
Administrative expenses	32	**(7,122)**	(6,566)
Other income	30	**955**	1,064
Other gains - net	31	**38**	525
Other expenses		**(135)**	(85)
Operating profit		**8,600**	6,302
Finance income	34	**712**	548
Finance costs	34	**(2,615)**	(3,005)
Share of profits of associates	12	**85**	120
Profit before income tax		**6,782**	3,965
Income tax expense	36	**(1,544)**	(840)
Profit for the year		**5,238**	3,125
Attributable to:			
Equity holders of the Company		**4,465**	3,150
Non-controlling interests		**773**	(25)
		5,238	3,125
Earnings per share for profit attributable to the equity holders of the Company			
— Basic earnings per share *(RMB)*	38	**0.30**	0.24
— Diluted earnings per share *(RMB)*	38	**0.30**	0.24
Dividends	39	**1,875**	256

The notes on page 105 to 230 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

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

The notes on page 105 to 230 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

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

The notes on page 105 to 230 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company						
		Share capital	Other reserves	Retained earnings/ (accumulated deficit)	Owner's equity before the Reorganisation	Sub total	Non-controlling interest	Total
	Note	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*
At 1 December 2008		—	—	—	1,721	1,721	5,640	7,361
Capitalisation and issues of new shares to Parent upon establishment of the Company		12,870	(11,149)	—	(1,721)	—	—	—
Business combination under common control	23(e)	—	36	(5)	—	31	—	31
Contribution received from Baosteel Group Corporation ("Baosteel")	1.2(f)	130	65	—	—	195	—	195
Profit for the period from 2 December 2008 to 31 December 2008		—	—	256	—	256	12	268
Other comprehensive income:								
Fair value losses on available-for-sale financial assets, net of tax		—	(7)	—	—	(7)	—	(7)
Currency translation differences		—	(10)	—	—	(10)	(2)	(12)
Total comprehensive (expense)/income for the period from 2 December 2008 to 31 December 2008		—	(17)	256	—	239	10	249
Capital contribution		—	57	—	—	57	—	57
Dividends	39	—	—	(256)	—	(256)	—	(256)
Transaction with non-controlling interests		—	8	—	—	8	(17)	(9)
Appropriations		—	28	(28)	—	—	—	—
At 31 December 2008 (As restated)		13,000	(10,972)	(33)	—	1,995	5,633	7,628

The notes on page 105 to 230 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Note	Attributable to equity holders of the Company					
		Share capital	Other reserves	Retained earnings/ (accumulated deficit)	Sub total	Non-controlling interest	Total
		RMB 'million	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*
At 1 January 2009 (As previously reported)		13,000	(11,008)	22	2,014	5,641	7,655
Business combination under common control	23(e)	—	36	(55)	(19)	(8)	(27)
At 1 January 2009 (As restated)		13,000	(10,972)	(33)	1,995	5,633	7,628
Profit for the year		—	—	4,465	4,465	773	5,238
Other comprehensive income:							
Fair value gains on available-for-sale financial assets, net of tax		—	213	—	213	23	236
Currency translation differences		—	(51)	—	(51)	(16)	(67)
Total comprehensive income for the year		—	162	4,465	4,627	780	5,407
Dividends	39	—	—	(1,875)	(1,875)	(566)	(2,441)
Transaction with non-controlling interests		—	64	—	64	(237)	(173)
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	853	853
Investments in subsidiaries transferred to investments in associates		—	—	—	—	(16)	(16)
Issue of new shares	22	6,110	27,461	—	33,571	—	33,571
Shares issue costs		—	(1,482)	—	(1,482)	—	(1,482)
Additional capital injection from owners and non- controlling interest proportionally		—	—	—	—	376	376
Business combination under common control	23(e)	—	(31)	—	(31)	—	(31)
Appropriations		—	165	(165)	—	—	—
At 31 December 2009		19,110	15,367	2,392	36,869	6,823	43,692

The notes on page 105 to 230 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2009 RMB 'million	2008 RMB 'million See note 2.1(d)
Cash flows from operating activities			
Cash (used in)/generated from operations	40	**(5,165)**	7,329
Income tax paid		**(1,650)**	(1,742)
Net cash (used in)/generated from operating activities		**(6,815)**	5,587
Cash flows from investing activities			
Purchases of property, plant and equipment		**(9,616)**	(8,092)
Purchases of land use rights		**(738)**	(2,413)
Purchases of mining rights		**(173)**	(3,207)
Purchases of investment properties		**(36)**	(69)
Purchases of intangible assets		**(1,766)**	(1,362)
Purchases of available-for-sale financial assets		**(287)**	(64)
Purchases of held-to-maturity financial assets		**(915)**	(43)
Increase in investment in associates		**(141)**	(262)
Net cash inflow/(outflow) for acquisition of subsidiaries	41	**46**	(188)
Prepayment for investments		**(2,728)**	—
Amounts received from related parties and third parties		**(161)**	(883)
Proceeds from disposal of property, plant and equipment		**193**	94
Proceeds from disposal of land use rights		**53**	15
Proceeds from disposal of investment properties		**—**	60
Proceeds from disposal of intangible assets		**—**	3
Proceeds from disposal of available-for-sale financial assets		**80**	666
Proceeds from held-to-maturity financial assets upon maturity date		**662**	500
Net cash inflow from disposal of investment in associates		**—**	34
Net cash inflow from liquidation of subsidiaries		**22**	—
Net cash inflow on disposal of subsidiaries	42	**—**	11
Transaction with non-controlling interests		**(277)**	(1,820)
Dividends received		**77**	78
Net cash used in investing activities		**(15,705)**	(16,942)

The notes on page 105 to 230 are an integral part of these financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2009 RMB 'million	2008 RMB 'million See note 2.1(d)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	22	**32,089**	—
Proceeds from borrowings		**92,768**	55,607
Repayments of borrowings		**(76,150)**	(37,022)
Contribution received from non-controlling interests		**1,075**	874
Dividends paid		**(5,609)**	(245)
Interest paid		**(4,127)**	(3,287)
Deemed distribution		**—**	(881)
Contribution received from Baosteel		**—**	195
Capital contribution		**—**	57
Changes in restricted cash		**1,048**	(1,749)
Net cash outflow from finance leases		**(50)**	—
Net cash generated from financing activities		**41,044**	13,549
Net increase in cash and cash equivalents		**18,524**	2,194
Cash and cash equivalents at beginning of the year		**26,157**	24,281
Exchange gains/(losses) on cash and cash equivalents		**19**	(318)
Cash and cash equivalents at end of the year		**44,700**	26,157

The notes on page 105 to 230 are an integral part of these financial statements.

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

(a) Metallurgical Corporation of China Ltd. (the "Company") was established in the People's Republic of China (the "PRC" or "China") on 1 December 2008. The A shares of the Company were listed on the Shanghai Stock Exchange on 21 September 2009, and the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") on 24 September 2009. The address of the Company's registered office is No. 11 Gao Liang Qiao Xiejie, Haidian District, Beijing.

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

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

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

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

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

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

1.2 Reorganisation

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

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

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

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

1. GENERAL INFORMATION AND REORGANISATION *(Continued)*

1.2 Reorganisation *(Continued)*

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

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

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

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

2.1 Basis of presentation *(Continued)*

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

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

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

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

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

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

2.1 Basis of presentation *(Continued)*

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

Shenyang Real Estate and the Company are controlled and owned by the Parent. Accordingly, the aforesaid transaction is regarded as business combination under common control. These consolidated financial statements incorporated the acquired entity's results as if both the acquired entity and Company had always been combined. Details of the adjustments for the common control combination on the Group's financial position as at 31 December 2009 and 2008 and the Group's results for the years then ended are set out in Note 23(e).

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

2.2 Basis of preparation

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

The preparation of these consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4 below.

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

2.2 Basis of preparation *(Continued)*

(a) Amended standards and interpretation adopted by the Group

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

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

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply the IAS 23 (Amendment) from 1 January 2009. Since the Group has chosen to capitalise borrowing costs relating to qualifying assets as described in Note 2.20, the amendment does not have any impact on the Group's financial statements;

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

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

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

2.2 Basis of preparation *(Continued)*

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

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

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

2.3 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that the Group control ceases.

The transfer/acquisition of equity interests in subsidiaries which are regarded as common control combinations are accounted for in a manner similar to a uniting of interests. Assets and liabilities are transferred at book value, adjusted only to harmonise accounting policies, and no goodwill arises. Any difference between the consideration given and the aggregate book value of the assets and liabilities acquired (as of the date of the transaction) is included in equity. These consolidated financial statements incorporate the acquired entity's results as if both entities (acquirer and acquiree) had always been combined. Consequently, these consolidated financial statements reflect both entities' full year's results, even though the business combination may have occurred part of the way through the year. In addition, the corresponding amounts for the previous year also reflect the combined results of both entities, even though the transaction did not occur until the current year.

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

2.3 Consolidation *(Continued)*

(a) Subsidiaries (Continued)

The acquisition method of accounting is used to account for business combinations other than common control combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(b) Transactions with non-controlling interests

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

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

2.3 Consolidation *(Continued)*

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In some cases, the percentage of equity interest in entities accounted for as associates exceeds 50% due to profit sharing arrangements. The Group does not control these entities because the proportion of voting rights held is less than 50%. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2.11 for the impairment of non-financial assets including goodwill.

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

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

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in equity.

(c) Group companies

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

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

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

(iii) All resulting exchange differences are recognised as a separate component of equity.

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

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

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

2.6 Property, plant and equipment

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

Other than mining structures, depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of each asset to its residual value over its estimated useful life, as follows:

— Buildings	15–40 years
— Plant and machinery	4–14 years
— Transportation equipment	5–12 years
— Furniture, office and other equipment	3–8 years

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

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

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

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

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

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

2.7 Deferred overburden removal costs

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

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

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

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

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

2.8 Land use rights

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

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

2.9 Mining rights

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

2.10 Properties

(a) *Investment properties*

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

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

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

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

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

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

(b) *Properties under development*

Properties under development are stated at the lower of cost and net realisable value and comprise development expenditure, land use right, professional fees and interest capitalised. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property. On completion, the properties are transferred to completed properties held for sale.

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

2.10 Properties *(Continued)*

(c) *Completed properties held for sale*

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to expected sales proceeds of completed properties sold in the ordinary course of business less all estimated selling expenses, or by management estimates based on prevailing marketing conditions.

2.11 Intangible assets

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose.

(b) *Patent and proprietary technologies*

Patents and proprietary technologies are initially recorded at cost and are amortised on a straight-line basis over their useful lives of 5 to 20 years as stated in the contracts.

(c) *Computer software*

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

(d) *Concession assets*

The Group engages in certain service concession arrangements in which the Group carries out construction work for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. In accordance with IFRIC 12, "Service concession arrangements", the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangible assets if the operator receives a right (a licence) to charge users of the public service, or as financial assets if paid by the granting authority. The Group classifies the non-current assets linked to the long-term investment in these concession arrangements as "concession assets'' within intangible assets classification on the consolidated balance sheets. Once the underlying infrastructure of the concession arrangements has been completed, the concession assets will be amortised over the term of the concession period on the straight-line basis under the intangible asset model.

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

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

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

2.13 Financial assets

2.13.1 Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

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

(c) Held-to-maturity financial assets

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

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

2.13 Financial assets *(Continued)*

2.13.1 Classification (Continued)

(d) Available-for-sale financial assets

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

2.13.2 Recognition and measurement

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

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statements within "other gains - net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statements as part of "other income" when the Group's right to receive payments is established.

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

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

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

2.14 Impairment of financial assets

(a) *Assets carried at amortised cost*

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

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

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

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

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

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

2.14 Impairment of financial assets *(Continued)*

(a) Assets carried at amortised cost (Continued)

The Group first assesses whether objective evidence of impairment exists.

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

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

(b) Assets classified as available for sale

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

2.15 Inventories

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

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

2.16 Trade and other receivables

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

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

2.17 Cash and cash equivalents

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

2.18 Share capital

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

2.19 Trade payables

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

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

2.20 Borrowings and borrowing costs

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

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

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

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

2.21 Current and deferred income tax

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.22 Employee benefits

(a) Pension obligations

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

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

2.22 Employee benefits *(Continued)*

(a) Pension obligations (Continued)

The Group also provided supplementary pension subsidies to certain retired employees in the PRC. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees. The liability recognised in the consolidated balance sheets in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are charged or credited to the consolidated income statements immediately. Past-service costs are recognised immediately in the consolidated income statements.

(b) Other post-employment obligations

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

(c) Termination and early retirement benefits

Termination and early retirement benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and district of the employee concerned.

(d) Housing funds

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

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

2.22 Employee benefits *(Continued)*

(e) Bonus entitlements

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

2.23 Provisions

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

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

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

2.24 Restoration and rehabilitation

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

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

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

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

2.24 Restoration and rehabilitation *(Continued)*

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

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

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

2.25 Government grants

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

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

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

2.26 Contract work

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

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

2.26 Contract work *(Continued)*

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

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

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

2.27 Revenue recognition

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

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

(a) Revenue from construction and service contracts

When the outcome of a contract can be estimated reliably, revenue from construction and service contracts is recognized under the percentage of completion method and is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable and such contract costs is recognized as an expense in the period in which they are incurred.

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

2.27 Revenue recognition *(Continued)*

(a) *Revenue from construction and service contracts (Continued)*

Variation in contract work, claims and incentive payments are included in the contract revenue to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statements in the period in which the circumstances that give rise to the revision become known by management.

(b) *Revenue from mining*

Revenue from mining is recognised when the risks and rewards are transferred to the customers, which is at the date when the customer receives and accepts the goods and collectability of the related receivables is reasonably assured.

(c) *Revenue from sales of properties*

Revenue from sale of properties is recognised when the risks and rewards of the properties are transferred to the customers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of the related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets under current liabilities.

(d) *Services rendered*

Revenue for services rendered mainly includes technique development, design, consultation and supervision, and is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

(e) *Sales of products*

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

(f) *Rental income*

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

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

2.27 Revenue recognition *(Continued)*

(g) *Interest income*

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

(h) *Dividend income*

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

2.28 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) *As a lessee*

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

(b) *As a lessor*

Assets leased out under operating leases are included in property, plant and equipment and investment properties on the consolidated balance sheets.

2.29 Research and development

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

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

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

2.29 Research and development *(Continued)*

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

2.30 Dividend distribution

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

2.31 Financial guarantee contract

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Foreign exchange risk

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

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

To mitigate 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.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Foreign exchange risk (Continued)

As at 31 December 2009, if RMB had strengthened by 5% (2008: 5%) against US dollar and HK dollar with all other variables held constant, which were considered reasonably possible by management, the profit after tax for the year ended 31 December 2009 would have been approximately RMB272 million lower (2008: RMB250 million higher), mainly as a result of foreign exchange losses/gains on translation of US dollar and HK dollar 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 and borrowings. Restricted cash, cash and cash equivalents, trade and other receivables and borrowings at variable rates expose the Group to cash flow interest-rate risk, and those at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2009, approximately RMB364 million (2008: RMB208 million) of the Group's restricted cash, approximately RMB317 million (2008: RMB486 million) of the Group's cash and cash equivalents and approximately RMB29,964 million (2008: RMB20,904 million) of the Group's borrowings were at fixed rates. The interest rates and maturities of the Group's restricted cash, cash and cash equivalents, trade and other receivables and borrowings are disclosed in Notes 20, 21, 16 and 25 respectively.

To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. The interest rates and maturities of these borrowings were disclosed in Note 25.

As at 31 December 2009, if the interest rate on RMB-denominated borrowings had been 54 basis points higher with all other variables held constant, which was considered reasonably possible by management, profit after income tax for the year ended 31 December 2009 would have been RMB128 million (2008: RMB82 million) lower, mainly as a result of higher interest expenses on bank borrowings and the amounts due to related parties.

As at 31 December 2009, if the interest rate on US dollar-denominated borrowings had been 50 basis points higher with all other variables held constant, which was considered reasonably possible by management, profit after income tax for the year ended 31 December 2009 would have been RMB10 million (2008: RMB5 million) lower, mainly as a result of higher interest expenses on bank borrowings and the amounts due to related parties.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

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

	As at 31 December	
	2009	2008
Change in equity price	**1%**	1%

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Impact on profit attributable to equity holders of the Company		
Increase/(decrease) in profit attributable to equity holders of the Company for the year		
— as a result of increase in equity price	**3**	—
— as a result of decrease in equity price	**(3)**	—
Impact on equity		
Increase/(decrease) in equity for the year		
— as a result of increase in equity price	**8**	3
— as a result of decrease in equity price	**(8)**	(3)

(d) *Credit risk*

The carrying amounts of cash and cash equivalents, restricted cash, held-to-maturity financial assets, trade and other receivables (except for prepayment and staff advances), and the nominal value of the guarantees provided on liabilities as disclosed in Note 43 represent the Group's main exposure to credit risk in relation to those financial assets.

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

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(d) Credit risk (Continued)

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 an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 25(e). Generally there is no specific credit period granted by the suppliers but the related trade payables are normally expected to be settled within one year after receipt of goods or services.

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

Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB 'million	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*
As at 31 December 2009					
Borrowings	**34,484**	**14,965**	**18,945**	**7,798**	**76,192**
Trade and other payables	**56,304**	**6,181**	**—**	**—**	**62,485**
	90,788	**21,146**	**18,945**	**7,798**	**138,677**
As at 31 December 2008					
Borrowings	41,227	8,353	8,496	5,707	63,783
Trade and other payables	49,699	174	83	—	49,956
	90,926	8,527	8,579	5,707	113,739

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(e) Liquidity risk (Continued)

Company

	Less than 1 year RMB 'million	Between 1 and 2 years RMB 'million	Between 2 and 5 years RMB 'million	Over 5 years RMB 'million	Total RMB 'million
As at 31 December 2009					
Borrowings	**7,341**	**6,961**	**4,898**	**7,528**	**26,728**
Trade and other payables	**12,008**	**—**	**—**	**—**	**12,008**
	19,349	**6,961**	**4,898**	**7,528**	**38,736**
As at 31 December 2008					
Borrowings	20,065	781	5,134	5,362	31,342
Trade and other payables	12,442	—	—	—	12,442
	32,507	781	5,134	5,362	43,784

3.2 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation *(Continued)*

The following table presents the Group's assets that are measured at fair value as at 31 December 2009:

	Level 1 *RMB 'million*	**Level 2** *RMB 'million*	**Level 3** *RMB 'million*	**Total** *RMB 'million*
Assets				
Financial assets at fair value through profit or loss *(Note 17)*	301	—	—	301
Available-for-sale financial assets *(Note 14)*	811	604	—	1,415
Held-to-maturity investments *(Note 15)*	301	—	—	301
Total assets	1,413	604	—	2,017

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings, as shown in the consolidated balance sheets, less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheets, plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at 31 December 2009 are as follows:

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Total borrowings *(Note 25)*	**67,974**	57,439
Less: Cash and cash equivalents *(Note 21)*	**(44,700)**	(26,157)
Net debt	**23,274**	31,282
Total equity	**43,692**	7,628
Total capital	**66,966**	38,910
Gearing ratio	**35%**	80%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom completely equal the final actual results theoretically. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contracts

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

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

(a) Construction contracts *(Continued)*

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

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

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment of assets

At each balance sheet date, the Group considers both internal and external sources of information to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised to reduce the carrying amount of the asset to its recoverable amount. Accordingly, there will be an impact to the future results if there is a significant change in the recoverable amounts of the assets.

(d) Current taxation and deferred taxation

The Group is subject to income taxes in several jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimates are changed.

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

(e) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for provisions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government securities which have maturity approximating to the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 27.

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the President's office that are used to make strategic decisions.

The President's office considers the business from a products and services perspective, which mainly includes four reportable operating segments: (i) engineering and construction; (ii) equipment manufacturing; (iii) resources development; and (iv) property development.

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

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

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

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

Capital expenditure comprises additions to property, plant and equipment (Note 6), land use rights (Note 7), mining rights (Note 8), investment properties (Note 9), and intangible assets (Note 10), including additions resulting from acquisitions through business combinations (Notes 6, 7).

5. SEGMENT INFORMATION *(Continued)*

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

The segment results for the year ended 31 December 2009 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	136,602	9,089	7,644	9,438	3,904	(1,659)	165,018
Inter-segment revenue	(810)	(30)	(25)	—	(794)	1,659	—
Revenue	135,792	9,059	7,619	9,438	3,110	—	165,018
Segment result	6,960	209	401	1,046	288	(169)	8,735
Unallocated costs							(135)
Operating profit							8,600
Finance income							712
Finance costs							(2,615)
Share of profit of associates	67	26	3	(11)	—	—	85
Profit before income tax							6,782
Income tax expense							(1,544)
Profit for the year							5,238

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

	Engineering and construction *RMB 'million*	Equipment manufacturing *RMB 'million*	Resources development *RMB 'million*	Property development *RMB 'million*	Others *RMB 'million*	Total *RMB 'million*
Depreciation *(Notes 6, 9)*	824	210	482	29	29	1,574
Amortisation *(Notes 7, 8, 10)*	123	13	43	1	11	191
Provision for/(reversal of) impairment of inventories *(Note 19)*	11	2	(33)	2	4	(14)
Reversal of foreseeable losses on construction contracts *(Note 32)*	(58)	—	—	—	—	(58)
Provision for/(reversal of) impairment on trade and other receivables *(Note 16)*	646	36	129	2	(35)	778

5. SEGMENT INFORMATION *(Continued)*

(a) As at and for the year ended 31 December 2009 *(Continued)*:

The segment assets and liabilities as at 31 December 2009 and capital expenditure 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	145,297	15,993	29,237	49,403	19,567	(36,027)	223,470
Investments in associates	800	37	2	314	—	—	1,153
Unallocated assets							3,650
Total assets							228,273
Liabilities							
Segment liabilities	83,259	7,048	6,676	25,947	13,118	(21,138)	114,910
Unallocated liabilities							69,671
Total liabilities							184,581
Capital expenditure	3,251	2,756	5,495	238	59	—	11,799

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

	Assets *RMB 'million*	Liabilities *RMB 'million*
Segment assets/liabilities	223,470	114,910
Investments in associates	1,153	—
Unallocated:		
Deferred income tax	1,934	639
Current income tax	—	1,058
Current borrowings	—	31,601
Non-current borrowings	—	36,373
Available-for-sale financial assets	1,415	—
Financial assets at fair value through profit or loss	301	—
Total	228,273	184,581

5. SEGMENT INFORMATION *(Continued)*

(b) As at and for the year ended 31 December 2008:

The segment results for the year ended 31 December 2008 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	128,041	15,649	9,538	4,199	2,400	(1,940)	157,887
Inter-segment revenue	(1,277)	(265)	(260)	—	(138)	1,940	—
Revenue	126,764	15,384	9,278	4,199	2,262	—	157,887
Segment result	5,472	562	240	264	17	(128)	6,427
Unallocated costs							(125)
Operating profit							6,302
Finance income							548
Finance costs							(3,005)
Share of profit of associates	115	—	—	5	—	—	120
Profit before income tax							3,965
Income tax expense							(840)
Profit for the year							3,125

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

	Engineering and construction *RMB'million*	Equipment manufacturing *RMB'million*	Resources development *RMB'million*	Property development *RMB'million*	Others *RMB'million*	Total *RMB'million*
Depreciation *(Notes 6, 9)*	875	384	326	29	16	1,630
Amortisation *(Notes 7, 8, 10)*	117	11	33	1	13	175
Provision for impairment of inventories *(Note 19)*	18	128	448	—	50	644
Foreseeable losses on construction contracts *(Note 32)*	93	—	—	—	—	93
Provision/(reversal of) for impairment on trade and other receivables *(Note 16)*	430	(8)	(20)	1	4	407

5. SEGMENT INFORMATION *(Continued)*

(b) As at and for the year ended 31 December 2008: *(Continued)*

The segment assets and liabilities as at 31 December 2008 and capital expenditure 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	122,550	14,067	20,634	24,464	9,977	(24,191)	167,501
Investments in associates	124	362	335	2	100	—	923
Unallocated assets							2,494
Total assets							170,918
Liabilities							
Segment liabilities	87,119	7,817	7,702	14,664	5,595	(18,442)	104,455
Unallocated liabilities							58,835
Total liabilities							163,290
Capital expenditure	7,496	2,877	3,782	725	70	—	14,950

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

	Assets *RMB 'million*	Liabilities *RMB 'million*
Segment assets/liabilities	167,501	104,455
Investments in associates	923	—
Unallocated:		
Deferred income tax	1,580	605
Current income tax	—	791
Current borrowings	—	38,721
Non-current borrowings	—	18,718
Available-for-sale financial assets	912	—
Financial assets at fair value through profit or loss	2	—
Total	170,918	163,290

5. SEGMENT INFORMATION *(Continued)*

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

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

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

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

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
The PRC	**154,145**	148,866
Other countries	**10,873**	9,021
	165,018	157,887

5. SEGMENT INFORMATION *(Continued)*

(e) As at 31 December 2009, the total of non-current assets other than available-for-sale financial assets, financial assets at fair value through profit or loss and deferred tax assets located in the PRC is RMB38,827 million (2008: RMB30,619 million), and the total of these non-current assets located in other countries is RMB11,070 million (2008: RMB6,831 million).

(f) Total assets

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

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
The PRC	**202,035**	154,673
Other countries	**22,588**	13,751
	224,623	168,424
Unallocated assets	**3,650**	2,494
	228,273	170,918

(g) Capital expenditures

Capital expenditures are allocated based on where the assets are located.

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
The PRC	**7,310**	13,515
Other countries	**4,489**	1,435
	11,799	14,950

6. PROPERTY, PLANT AND EQUIPMENT

Group

	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*
Cost							
At 1 January 2008	—	7,933	12,173	1,607	638	4,471	26,822
Additions	33	340	1,069	242	142	6,413	8,239
Attributable to acquisition of subsidiaries *(Note 41)*	—	186	144	4	1	3	338
Transfer upon completion	3	1,356	1,396	16	52	(2,823)	—
Disposals/write-off	—	(1,051)	(415)	(137)	(181)	(77)	(1,861)
Attributable to disposal of subsidiaries	—	(3)	—	—	—	—	(3)
Exchange differences	—	—	(75)	—	—	—	(75)
Transfer to investment properties *(Note 9)*	—	(18)	—	—	—	—	(18)
Distribution to Parent	—	(343)	(3,692)	(22)	—	(702)	(4,759)
At 31 December 2008	36	8,400	10,600	1,710	652	7,285	28,683
Additions	30	430	768	248	89	8,490	10,055
Attributable to acquisition of subsidiaries *(Note 41)*	—	6	15	4	7	3	35
Transfer upon completion	—	1,903	1,380	11	30	(3,324)	—
Disposals/write-off	—	(136)	(249)	(148)	(28)	—	(561)
Exchange differences	—	(1)	(49)	(1)	(1)	(7)	(59)
Transfer to investment properties *(Note 9)*	—	(11)	—	—	—	—	(11)
At 31 December 2009	66	10,591	12,465	1,824	749	12,447	38,142

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

Group *(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*
Accumulated depreciation							
At 1January 2008	—	1,843	3,817	683	211	—	6,554
Depreciation	4	498	799	196	105	—	1,602
Disposals/write-off	—	(429)	(165)	(125)	(75)	—	(794)
Transfer to investment properties *(Note 9)*	—	(2)	—	—	—	—	(2)
Distribution to Parent	—	(30)	(165)	(2)	—	—	(197)
At 31 December 2008	4	1,880	4,286	752	241	—	7,163
Depreciation	4	448	842	174	85	—	1,553
Disposals/write-off	—	(73)	(195)	(100)	(24)	—	(392)
Transfer to investment properties *(Note 9)*	—	(4)	—	—	—	—	(4)
At 31 December 2009	8	2,251	4,933	826	302	—	8,320
Impairment provision							
At 1 January 2008	—	32	25	5	3	—	65
Disposals	—	(15)	(14)	(2)	(2)	—	(33)
At 31 December 2008	—	17	11	3	1	—	32
At 31 December 2009	—	17	11	3	1	—	32
Net book value							
At 31 December 2009	58	8,323	7,521	995	446	12,447	29,790
At 31 December 2008	32	6,503	6,303	955	410	7,285	21,488

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

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

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Cost of sales	**1,163**	1,204
Administrative expenses	**372**	386
Selling and marketing expenses	**18**	12
	1,553	1,602

(b) As at 31 December 2009, bank borrowings are secured by certain property, plant and equipment of the Group with an aggregate carrying amount of approximately RMB1,509 million (2008: RMB1,248 million)(Note 25).

7. LAND USE RIGHTS

Group

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Cost		
At beginning of the year	**6,047**	3,418
Additions	**2,363**	4,817
Attributable to acquisition of subsidiaries *(Note 41)*	**—**	268
Disposals	**(92)**	(217)
Transfer to investment properties *(Note 9)*	**—**	(4)
Transfer to properties under development *(Note 19)*	**(1,630)**	(1,648)
Distribution to Parent	**—**	(587)
At end of the year	**6,688**	6,047
Accumulated amortisation		
At beginning of the year	**280**	183
Amortisation	**144**	142
Disposals	**(8)**	(31)
Distribution to Parent	**—**	(14)
At end of the year	**416**	280
Net book value	**6,272**	5,767

7. LAND USE RIGHTS *(Continued)*

Group *(Continued)*

The Group's interests in land use rights represent prepaid operating lease payments. All of the Group's land use rights are located in the PRC and are with the lease periods as follows:

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Land use rights lease period between 10 to 50 years	**5,068**	4,584
Land use rights lease period over 50 years	**1,204**	1,183
	6,272	5,767

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

(b) As at 31 December 2009, bank borrowings are secured by certain land use rights of the Group with an aggregate carrying amount of approximately RMB1,525 million (2008: RMB1,453 million) (Note 25).

8. MINING RIGHTS

Group

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Cost		
At beginning of the year	**3,531**	359
Additions	**173**	3,207
Exchange differences	**(18)**	(35)
At end of the year	**3,686**	3,531
Accumulated amortisation		
At beginning of the year	**12**	6
Amortisation	**6**	6
At end of the year	**18**	12
Net book value	**3,668**	3,519

9. INVESTMENT PROPERTIES

Group

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Cost		
At beginning of the year	**497**	541
Additions	**34**	69
Transfer from property, plant and equipment *(Note 6)*	**11**	18
Transfer from land use rights *(Note 7)*	**—**	4
Disposals	**(28)**	(135)
At end of the year	**514**	497
Accumulated depreciation		
At beginning of the year	**153**	136
Depreciation	**21**	28
Transfer from property, plant and equipment *(Note 6)*	**4**	2
Disposals	**(15)**	(13)
At end of the year	**163**	153
Impairment provision		
At beginning of the year	**1**	13
Disposals	**—**	(12)
At end of the year	**1**	1
Net book value	**350**	343
Fair value *(a)*	**1,758**	1,424

(a) The investment properties are valued by Jones Lang LaSalle Sallmanns Limited, an independent valuer. Valuations are based on current price in an active market for all investment properties, except for those located in areas where such information is not available, where discounted cash flow projections are used.

(b) All of the Group's investment properties are located in the PRC and have lease periods of between 10 to 40 years.

(c) Rental income of the Group's investment properties of RMB116 million (2008: RMB167 million) and depreciation of the Group's investment properties of RMB21 million (2008: RMB28 million) have been recognised in the consolidated income statement.

10. INTANGIBLE ASSETS

Group

	Goodwill	Patent and proprietary technologies	Purchased computer software	Concession assets	Total
	RMB 'million	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*
Cost					
At 1 January 2008	1,055	16	59	1,178	2,308
Additions	25	11	46	1,305	1,387
Exchange differences	(42)	—	—	—	(42)
Disposals	—	(1)	(9)	—	(10)
At 31 December 2008	1,038	26	96	2,483	3,643
Additions	1	22	61	1,683	1,767
Exchange differences	(21)	—	—	—	(21)
Disposals	—	(5)	(3)	—	(8)
At 31 December 2009	1,018	43	154	4,166	5,381
Accumulated amortisation					
At 1 January 2008	—	10	26	1	37
Amortisation	—	5	16	6	27
Disposals	—	—	(7)	—	(7)
At 31 December 2008	—	15	35	7	57
Amortisation	—	3	28	10	41
Disposals	—	—	(3)	—	(3)
At 31 December 2009	—	18	60	17	95
Impairment provision					
At 1 January 2008	—	—	—	—	—
At 31 December 2008	—	—	—	—	—
Additions	15	—	—	—	15
At 31 December 2009	15	—	—	—	15
Net book value					
At 31 December 2009	1,003	25	94	4,149	5,271
At 31 December 2008	1,038	11	61	2,476	3,586

10. INTANGIBLE ASSETS *(Continued)*

Group *(Continued)*

(a) Amortisation of the Group's intangible assets for the year ended 31 December 2009 amounting to RMB41 million (2008: RMB27 million) has been charged to the consolidated income statement as administrative expenses.

(b) For the purposes of impairment testing, goodwill has been allocated to 19 (2008:17) individual cash generating units ("CGU") which comprise 19 (2008:17) subsidiaries arising from business combinations other than common control combinations as set out in Note 41. The carrying amounts of goodwill as at 31 December 2009 which were allocated to the significant CGU in comparison with the Group's total carrying amount of goodwill were as follows:

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Beijing Guangyuanli Real Estate Development Co., Ltd. *(i)*	**171**	171
MCC Minera Sierra Grande S.A. *(ii)*	**220**	241
Beijing Hargongda Yataikongjian Real Estate Development Co., Ltd. *(iii)*	**318**	318

None of the goodwill of other CGUs is significant in comparison with the Group's total carrying amount of goodwill.

(i) The recoverable amount is determined based on fair value less costs to sell as this company has entered into agreement to sell the business. Fair value less costs to sell was based on a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the business.

As at 31 December 2009, management of the Group is of the view that there was no impairment of goodwill and believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

(ii) The recoverable amount is determined based on value-in-use calculations. The recoverable amount is based on certain key assumptions. Value-in-use calculations use cash flow projections based on financial forecasts approved by the management covering a 5-year period, and a pre-tax discount rate of 11%. Cash flow projections during the forecast period for the CGU are based on the expected growth rate gross margin during the forecast period. Forecast growth rate is based on the expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development.

As at 31 December 2009, management of the Group is of the view that there was no impairment of goodwill and believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

10. INTANGIBLE ASSETS *(Continued)*

Group *(Continued)*

(b) For the purposes of impairment testing, goodwill has been allocated to 19 (2008:17) individual cash generating units ("CGU") which comprise 19 (2008:17) subsidiaries arising from business combinations other than common control combinations as set out in Note 41. The carrying amounts of goodwill as at 31 December 2009 which were allocated to the significant CGU in comparison with the Group's total carrying amount of goodwill were as follows: *(Continued)*

(iii) The recoverable amount is determined based on fair value less costs to sell as this company has entered into agreement to sell its business. Fair value less costs to sell was based on a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the business.

As at 31 December 2009, management of the Group is of the view that there was no impairment of goodwill and believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

11. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Unlisted investments, at cost	**52,800**	37,620

Particulars of the Company's principal subsidiaries are set out in Note 47.

12. INVESTMENTS IN ASSOCIATES

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Share of net assets	**1,153**	923

12. INVESTMENTS IN ASSOCIATES *(Continued)*

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

Group

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
At beginning of year	**923**	607
Additions	**140**	262
Transfer from investments in subsidiaries	**17**	—
Share of profit	**85**	120
Dividend distribution	**(1)**	(45)
Disposals	**—**	(21)
Transfer to investments in subsidiaries	**(7)**	—
Impairment provision	**(4)**	—
At end of year	**1,153**	923

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

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Total assets	**3,859**	2,920
Total liabilities	**(2,693)**	(1,984)
Non-controlling interests	**(13)**	(13)
	1,153	923

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Revenue	**1,250**	1,244
Profit for the year	**85**	120

There are no material contingent liabilities and commitments relating to the Group's interests in the associates and no material contingent liabilities and commitments of the associates themselves. Particulars of the Group's principal associates are set out in Note 47.

13. FINANCIAL INSTRUMENTS BY CATEGORY

Group

	Loans and receivables RMB 'million	Assets at fair value through profit or loss RMB 'million	Held-to-maturity RMB 'million	Available-for-sale RMB 'million	Total RMB 'million
As at 31 December 2009					
Assets as per consolidated balance sheet					
Available-for-sale financial assets *(Note 14)*	—	—	—	1,415	1,415
Held-to-maturity financial assets *(Note 15)*	—	—	301	—	301
Trade receivables *(Note 16)*	41,492	—	—	—	41,492
Deposits and other receivables *(Note 16)*	11,383	—	—	—	11,383
Financial assets at fair value through profit or loss *(Note 17)*	—	301	—	—	301
Restricted cash *(Note 20)*	1,223	—	—	—	1,223
Cash and cash equivalents *(Note 21)*	44,700	—	—	—	44,700
Total	98,798	301	301	1,415	100,815

	Other financial liabilities RMB 'million	Total RMB 'million
Liabilities as per consolidated balance sheet		
Borrowings *(Note 25)*	67,974	67,974
Trade payables *(Note 24)*	49,742	49,742
Accrued expenses, deposits payable, amounts due to Parent and other payables *(Note 24)*	12,743	12,743
Total	130,459	130,459

13. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group *(Continued)*

	Loans and receivables *RMB 'million*	Assets at fair value through profit or loss *RMB 'million*	Held-to-maturity *RMB 'million*	Available-for-sale *RMB 'million*	Total *RMB 'million*
As at 31 December 2008					
Assets as per consolidated balance sheet					
Available-for-sale financial assets *(Note 14)*	—	—	—	912	912
Held-to-maturity financial assets *(Note 15)*	—	—	46	—	46
Trade receivables *(Note 16)*	32,939	—	—	—	32,939
Deposits and other receivables *(Note 16)*	6,506	—	—	—	6,506
Financial assets at fair value through profit or loss *(Note 17)*	—	2	—	—	2
Restricted cash *(Note 20)*	2,271	—	—	—	2,271
Cash and cash equivalents *(Note 21)*	26,157	—	—	—	26,157
Total	67,873	2	46	912	68,833

	Other financial liabilities *RMB 'million*	Total *RMB 'million*
Liabilities as per consolidated balance sheet		
Borrowings *(Note 25)*	57,439	57,439
Trade payables *(Note 24)*	40,658	40,658
Accrued expenses, deposits payable, amounts due to Parent and other payables *(Note 24)*	9,298	9,298
Total	107,395	107,395

13. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

	Loans and receivables *RMB 'million*	**Total** *RMB 'million*
As at 31 December 2009		
Assets as per balance sheet		
Trade receivables *(Note 16)*	**2,007**	**2,007**
Amounts due from subsidiaries and other receivables *(Note 16)*	**13,978**	**13,978**
Cash and cash equivalents *(Note 21)*	**14,493**	**14,493**
Total	**30,478**	**30,478**

	Other financial liabilities *RMB 'million*	**Total** *RMB 'million*
Liabilities as per balance sheet		
Borrowings *(Note 25)*	**21,129**	**21,129**
Trade payables *(Note 24)*	**368**	**368**
Interest payable, amounts due to subsidiaries and other payables *(Note 24)*	**11,640**	**11,640**
Total	**33,137**	**33,137**

	Loans and receivables *RMB 'million*	**Total** *RMB 'million*
As at 31 December 2008		
Assets as per balance sheet		
Trade receivables *(Note 16)*	1,481	1,481
Amounts due from subsidiaries and other receivables *(Note 16)*	17,478	17,478
Cash and cash equivalents *(Note 21)*	3,636	3,636
Total	22,595	22,595

13. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company *(Continued)*

	Other financial liabilities *RMB 'million*	Total *RMB 'million*
Liabilities as per balance sheet		
Borrowings *(Note 25)*	27,686	27,686
Trade payables *(Note 24)*	178	178
Interest payable, amounts due to Parent and subsidiaries and other payables *(Note 24)*	12,264	12,264
Total	40,128	40,128

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

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

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

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Group *(Continued)*

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

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

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

15. HELD-TO-MATURITY FINANCIAL ASSETS

Group

(a) The movement of the Group's held-to-maturity financial assets are set out as follows:

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
At beginning of year	**46**	500
Additions	**915**	43
Accrued interest	**2**	3
Settlement upon maturity	**(662)**	(500)
At end of year	**301**	46
Less: non-current portion	**(250)**	(46)
Current portion	**51**	—

There were no impairment provisions on held-to-maturity financial assets for the year ended 31 December 2009 (2008: nil).

15. HELD-TO-MATURITY FINANCIAL ASSETS *(Continued)*

Group *(Continued)*

(b) The fair value of held-to-maturity financial assets is based on quoted market bid prices. The carrying amount of the held-to-maturity financial assets as at 31 December 2009 approximates their fair values.

(c) All held-to-maturity financial assets are denominated in RMB.

16. TRADE AND OTHER RECEIVABLES

Group

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

16. TRADE AND OTHER RECEIVABLES *(Continued)*

Group *(Continued)*

Please refer to Note 46 for the Group's trade and other receivables due from related parties.

The carrying amounts of the current portion of the Group's trade and other receivables at 31 December 2009 approximate their fair values. In addition, the fair value of the non-current trade and other receivables as at 31 December 2009 are RMB3,193 million (2008: RMB1,678 million).

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Trade receivables		
Trade receivables	**2,007**	1,136
Notes receivables	**—**	345
	2,007	1,481
Less: Provision for impairment	**(17)**	(8)
Trade receivables - net	**1,990**	1,473
Other receivables		
Prepayments to suppliers	**442**	286
Amounts due from subsidiaries	**13,752**	16,648
Prepayment for investments	**1,867**	—
Others	**226**	830
	16,287	17,764
Less: Provision for impairment	**(52)**	(52)
Other receivables - net	**16,235**	17,712
Total trade and other receivables	**18,225**	19,185
Less: Non-current portion		
— Trade receivables	**(2,399)**	(895)
Current portion	**15,826**	18,290

16. TRADE AND OTHER RECEIVABLES *(Continued)*

Company *(Continued)*

Please refer to Note 46 for the Company's trade and other receivables due from related parties.

The carrying amounts of the current portion of the Company's trade and other receivables at 31 December 2009 approximate their fair values. In addition, the fair value of the non-current trade and other receivables as at 31 December 2009 are RMB2,382 million (2008: RMB881 million).

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

Group

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

16. TRADE AND OTHER RECEIVABLES *(Continued)*

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

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Less than 1 year	**1,005**	645
1 year to 2 years	**300**	57
2 years to 3 years	**47**	266
3 years to 4 years	**266**	136
4 years to 5 years	**136**	172
Over 5 years	**253**	205
Trade receivables - gross	**2,007**	1,481
Less: Provision for impairment	**(17)**	(8)
Trade receivables - net	**1,990**	1,473

Settlement of trade receivables generated through engineering and construction services is made in accordance with terms specified in the contracts governing the relevant transactions. The Group and the Company do not hold any collateral as security.

(b) Credit risk of trade and other receivables categorised as financial assets, including trade receivables, deposits, amounts due from related parties and third parties and others, is analysed by class of financial assets in Note 16 (c), (d) and (e) below.

(c) As at 31 December 2009, the Group's trade and other receivables of RMB31,571 million (2008: RMB23,074 million) were fully performing. As at 31 December 2009, the Company's trade and other receivables of RMB14,707 million (2008: RMB18,666 million) were fully performing. Trade and other receivables that were fully performing mainly represent those due from customers with good credit history and low default rate. None of trade and other receivables that were fully performing has been renegotiated during the year.

16. TRADE AND OTHER RECEIVABLES *(Continued)*

(d) As at 31 December 2009, the Group's trade and other receivables of approximately RMB17,317 million (2008: RMB12,693 million) were past due but not impaired. As at 31 December 2009, the Company's trade and other receivables of approximately RMB1,033 million (2008: RMB81 million) were past due but not impaired. These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade and other receivables is as follows:

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Less than 1 year	**15,574**	11,697
1 year to 2 years	**1,324**	484
2 years to 3 years	**388**	501
3 years to 4 years	**30**	10
4 years to 5 years	**1**	1
Total	**17,317**	12,693

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Less than 1 year	**1,033**	81

16. TRADE AND OTHER RECEIVABLES *(Continued)*

(e) As at 31 December 2009, the Group's trade and other receivables of approximately RMB3,987 million (2008: RMB3,678 million) were wholly or partially impaired. The amount of the related provisions for impairment of these receivables was approximately RMB3,537 million (2008: RMB2,765 million). As at 31 December 2009, the Company's trade and other receivables of approximately RMB245 million (2008: RMB212 million) were wholly or partially impaired. The amount of the related provisions for impairment of these receivables was approximately RMB69 million (2008: RMB60 million). The ageing analysis of these impaired trade and other receivables are as follows:

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Less than 1 year	**1,289**	802
1 year to 2 years	**598**	446
2 years to 3 years	**436**	631
3 years to 4 years	**432**	500
4 years to 5 years	**321**	373
Over 5 years	**911**	926
Total	**3,987**	3,678

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Less than 1 year	**44**	150
1 year to 2 years	**149**	10
Over 5 years	**52**	52
Total	**245**	212

16. TRADE AND OTHER RECEIVABLES *(Continued)*

(f) The movements of provision for impairment of trade and other receivables are as follows:

Group

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
At beginning of year	**2,765**	2,892
Additions	**780**	425
Write-off	**(6)**	(534)
Write-back	**(2)**	(18)
At end of year	**3,537**	2,765

Company

	Year ended 31 December 2009	For the period from 1 December 2008 to 31 December 2008
	RMB 'million	*RMB 'million*
At beginning of year	**60**	53
Additions	**9**	7
At end of year	**69**	60

(g) The carrying amounts of the Group and the Company's trade and other receivables are denominated in the following currencies:

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
RMB	**69,706**	57,350
US dollar	**1,944**	1,050
Others	**579**	40
	72,229	58,440

16. TRADE AND OTHER RECEIVABLES *(Continued)*

(g) The carrying amounts of the Group and the Company's trade and other receivables are denominated in the following currencies: *(Continued)*

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
RMB	**15,605**	16,074
US dollar	**2,617**	3,111
Others	**3**	—
	18,225	19,185

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	Investments in listed equity securities in China
	RMB 'million
At 1 January 2008	24
Additions	71
Disposals	(93)
At 31 December 2008	2
Additions	340
Disposals	(42)
Increase in fair value through profit or loss	1
At 31 December 2009	301

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains - net" in the consolidated income statement (Note 31).

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

The carrying amounts of the financial assets at fair value through profit or loss at 31 December 2009 are equal to their market values.

18. CONTRACT WORK-IN-PROGRESS

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Contract cost incurred plus recognised profit less recognised losses	**324,669**	251,351
Less: Progress billings	**(312,499)**	(248,468)
Contract work-in-progress	**12,170**	2,883
Representing:		
Amounts due from customers for contract work	**25,150**	16,913
Amounts due to customers for contract work	**(12,980)**	(14,030)
	12,170	2,883

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Contract revenue recognised as revenue	**132,675**	123,680

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Contract cost incurred plus recognised profit less recognised losses	**3,412**	1,834
Less: Progress billings	**(3,818)**	(2,212)
Contract work-in-progress	**(406)**	(378)
Representing:		
Amounts due from customers for contract work	**12**	25
Amounts due to customers for contract work	**(418)**	(403)
	(406)	(378)

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

Company *(Continued)*

	Year ended 31 December 2009 *RMB 'million*	For the period from 1 December 2008 to 31 December 2008 *RMB 'million*
Contract revenue recognised as revenue	**1,865**	252

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

(a) Inventories

Group

	As at 31 December	
	2009 *RMB 'million*	2008 *RMB 'million*
Raw materials	**6,469**	6,509
Work-in-progress	**3,063**	2,307
Finished goods	**1,970**	2,296
	11,502	11,112

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

	Year ended 31 December	
	2009 *RMB 'million*	2008 *RMB 'million*
At beginning of year	**728**	205
Additions	**26**	652
Write-off	**(560)**	(121)
Write-back	**(40)**	(8)
At end of year	**154**	728

The provision for impairment and write-back have been expense-off in the consolidated income statement for the year ended 31 December 2009.

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

(b) Properties under development

Group

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
At beginning of year	**17,402**	11,025
Additions	**9,512**	7,497
Attributable to acquisition of subsidiaries *(Note 41)*	**97**	—
Transfer from land use rights	**1,630**	1,648
Transfer to completed properties held for sale	**(8,277)**	(2,768)
At end of year	**20,364**	17,402

The analysis as at 31 December 2009 of the properties under development is as follows:

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Land use rights	**7,939**	6,662
Development costs	**11,111**	9,753
Finance costs capitalised	**1,314**	987
	20,364	17,402

Movements of land use rights in properties under development are as follows:

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
At beginning of year	**6,662**	5,101
Attributable to acquisition of subsidiaries	**3**	—
Transfer from land use rights	**1,630**	1,648
Transfer to completed properties held for sale	**(356)**	(87)
At end of year	**7,939**	6,662

As at 31 December 2009, certain properties under development with carrying value of RMB2,022 million (2008: RMB4,987 million) are pledged as securities for long-term bank borrowings of RMB1,075 million (2008: RMB4,149 million).

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

(c) Completed properties held for sale

The analysis as at 31 December 2009 of the completed properties held for sale is as follows:

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Land use rights	**281**	19
Development costs	**1,793**	331
Finance costs capitalised	**471**	17
	2,545	367

Movements of land use rights in completed properties held for sale are as follows:

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
At beginning of year	**19**	5
Transfer from properties under development	**356**	87
Transfer to cost of sales	**(94)**	(73)
At end of year	**281**	19

The cost of inventories, properties under development and completed properties held for sale recognised as expenses and included in "cost of sales" amounted to RMB29,267 million for the year ended 31 December 2009 (2008: RMB23,343 million).

20. RESTRICTED CASH

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Restricted cash	**1,223**	2,271

20. RESTRICTED CASH *(Continued)*

All the Group's restricted cash is denominated in RMB.

The restricted cash is held in dedicated bank accounts mainly for the issuance of bank acceptance notes to suppliers.

As at 31 December 2009, the weighted average effective interest rates per annum on restricted cash, with maturities ranging from 6 months to 1 year, was approximately 2.12% (2008: 3.76%).

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

21. CASH AND CASH EQUIVALENTS

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Cash at bank and in hand	**40,170**	22,226
Bank deposits	**4,525**	3,488
Other bank deposits from financial institutions	**5**	443
Cash and cash equivalents	**44,700**	26,157
Denominated in:		
— RMB	**30,968**	23,715
— US dollar	**1,402**	844
— HK dollar	**11,361**	—
— Others	**969**	1,598
	44,700	26,157

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 2009, the weighted average effective interest rate per annum on bank deposits was approximately 1.98% (2008: 3.56%).

21. CASH AND CASH EQUIVALENTS *(Continued)*

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Cash at bank and in hand	**14,493**	3,636
Denominated in:		
— RMB	**3,131**	3,636
— US dollar	**1**	—
— HK dollar	**11,361**	—
	14,493	3,636

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

22. SHARE CAPITAL

	As at 31 December			
	2009		2008	
	Number of shares	**Nominal Value**	Number of shares	Nominal Value
	million	***RMB' million***	*million*	*RMB' million*
Registered, issued and fully paid				
— State-owned Shares of RMB 1.00 each	**12,739**	**12,739**	13,000	13,000
— A Shares of RMB 1.00 each	**3,500**	**3,500**	—	—
— H Shares of RMB 1.00 each *(note (a))*	**2,871**	**2,871**	—	—
	19,110	**19,110**	13,000	13,000

22. SHARE CAPITAL *(Continued)*

A summary of the movements in the Company's issued share capital is as follows:

	As at 31 December			
	2009		2008	
	Number of shares	**Nominal Value**	Number of shares	Nominal Value
	million	***RMB' million***	*million*	*RMB' million*
At beginning of the year	**13,000**	**13,000**	—	—
At date of incorporation *(note (b))*	**—**	**—**	13,000	13,000
Public offer of A Shares *(note (c))*	**3,500**	**3,500**	—	—
Public offer of H Shares *(note (d))*	**2,610**	**2,610**	—	—
At end of the year	**19,110**	**19,110**	13,000	13,000

Notes:

(a) This amount of RMB2,871 million comprises two parts:

(i) Public offer of H shares announced to RMB2,610 million is described in Note (d).

(ii) RMB261 million H shares transferred to the National Council for Social Security Fund ("NSSF") of PRC.

(b) The Company was established on 1 December 2008, with an initial registered share capital of RMB13,000 million, divided into 13,000 million shares with a nominal value of RMB1.00 each. 12,870 million state legal person Shares were issued to Parent in consideration for the transfer of the Core Operations to the Company pursuant to the Reorganisation as referred to in Note 1.2. Baosteel purchased 130 million state legal person Shares with a nominal value of RMB1.00 each for a cash consideration of RMB194,463,000.

(c) The Company's A Shares were listed on the Shanghai Stock Exchange on 21 September 2009. 3,500 million A Shares were issued at RMB5.42 per A Share with a nominal value of RMB1.00 each. The Company received net proceeds of approximately RMB18,359 million from the issuance of A Shares, of which paid-up share capital was RMB3,500 million and share premium was approximately RMB14,859 million (net of shares issue costs).

(d) The Company's H Shares were listed on the Main Board of Hong Kong Stock Exchange on 24 September 2009. 2,610 million H Shares were issued at HK$6.35 (equivalent to approximately RMB5.59) per H Share with a nominal value of RMB1.00 each. The Company received net proceeds of approximately HK$15,585 million (RMB13,730 million) from the issuance H Shares, of which paid-up share capital was RMB2,610 million and share premium was approximately RMB11,120 million (net of shares issue costs).

23. RESERVES

Group

	Note	Capital reserve RMB 'million	Fair value of available-for-sale reserve RMB 'million	Translation differences RMB 'million	Other reserves RMB 'million	Retained earnings/ (accumulated deficit) RMB 'million	Owner's equity before the Reorganisation *(a)* RMB 'million	Total RMB 'million
At 1 January 2008		—	—	—	—	—	2,598	2,598
Profit for the period from 1 January to 1 December 2008		—	—	—	—	—	2,894	2,894
Other comprehensive income:								
Fair value losses on available-for-sale financial assets, net of tax		—	—	—	—	—	(861)	(861)
Currency translation differences		—	—	—	—	—	(162)	(162)
Total comprehensive income for the period from 1 January to 1 December 2008		—	—	—	—	—	1,871	1,871
Transaction with non-controlling interests		—	—	—	—	—	(1,417)	(1,417)
Deemed distribution *(b)*		—	—	—	—	—	(537)	(537)
Capital contribution *(c)*		—	—	—	—	—	2,327	2,327
Special distribution *(d)*		—	—	—	—	—	(3,121)	(3,121)
At 1 December 2008		—	—	—	—	—	1,721	1,721

23. RESERVES *(Continued)*

Group *(Continued)*

	Note	**Capital reserve** *RMB 'million*	**Fair value of available-for-sale reserve** *RMB 'million*	**Translation differences** *RMB 'million*	**Other reserves** *RMB 'million*	**Retained earnings/ (accumulated deficit)** *RMB 'million*	**Owner's equity before the Reorganisation** *(a)* *RMB 'million*	**Total** *RMB 'million*
At 1 December 2008		—	—	—	—	—	1,721	1,721
Capitalisation and issues of new shares to Parent upon establishment of the Company *(a)*		(11,149)	—	—	—	—	(1,721)	(12,870)
Business combination under common control *(e)*		36	—	—	—	(5)	—	31
Contribution received from Baosteel		65	—	—	—	—	—	65
Profit for the period from 2 December 2008 to 31 December 2008		—	—	—	—	256	—	256
Other comprehensive income:								
Fair value losses on available-for-sale financial assets, net of tax		—	(7)	—	—	—	—	(7)
Currency translation differences		—	—	(10)	—	—	—	(10)
Total comprehensive (expenses)/income for the period from 2 December 2008 to 31 December 2008		—	(7)	(10)	—	256	—	239
Capital contribution		57	—	—	—	—	—	57
Dividends	39	—	—	—	—	(256)	—	(256)
Transaction with non-controlling interests		8	—	—	—	—	—	8
Appropriations		—	—	—	28	(28)	—	—
At 31 December 2008 (As restated)		(10,983)	(7)	(10)	28	(33)	—	(11,005)

23. RESERVES *(Continued)*

Group *(Continued)*

	Note	**Capital reserve** *RMB 'million*	**Fair value of available-for-sale reserve** *RMB 'million*	**Translation differences** *RMB 'million*	**Other reserves** *RMB 'million*	**Retained earnings/ (accumulated deficit)** *RMB 'million*	**Owner's equity before the Reorganisation** *(a)* *RMB 'million*	**Total** *RMB 'million*
At 1 January 2009 (As previously reported)		(11,019)	(7)	(10)	28	22	—	(10,986)
Business combination under common control *(e)*		36	—	—	—	(55)	—	(19)
At 1 January 2009 (As restated)		(10,983)	(7)	(10)	28	(33)	—	(11,005)
Profit for the year		—	—	—	—	4,465	—	4,465
Other comprehensive income:								
Fair value gains on available-for-sale financial assets, net of tax		—	213	—	—	—	—	213
Currency translation differences		—	—	(51)	—	—	—	(51)
Total comprehensive income/ (expense) for the year		—	213	(51)	—	4,465	—	4,627
Dividends	39	—	—	—	—	(1,875)	—	(1,875)
Transaction with non-controlling interests		64	—	—	—	—	—	64
Issue of new shares	22	27,461	—	—	—	—	—	27,461
Shares issue cost		(1,482)	—	—	—	—	—	(1,482)
Business combination under common control *(e)*		(31)	—	—	—	—	—	(31)
Appropriations		—	—	—	165	(165)	—	—
At 31 December 2009		15,029	206	(61)	193	2,392	—	17,759

(a) Owner's equity before the Reorganisation represents the combined equities of the Core Operations owned and operated by the companies now comprising the Group. As described in Note 1.2, upon the establishment of the Company on 1 December 2008, 12,870 million state legal person shares were issued to Parent in consideration for the transfer of the Core Operations from the Parent Group to the Company. Pursuant to the Reorganisation, all the then capital and reserves of the Core operation were capitalised and the resulting difference was charged to capital reserve. In view of the above changes in form and nature of the capital and reserves, separate classes of reserves, including retained earnings and translation reserves prior to the establishment of the Company have not been separately disclosed in the financial statements.

23. RESERVES *(Continued)*

Group *(Continued)*

(b) As described in Note 2.1, certain operating assets and liabilities that were historically associated with the Core Operations have been included in the consolidated financial statements for the year ended 31 December 2008 although these operations were not transferred to the Company upon the Reorganisation. The assets and liabilities of these operations were reflected as deemed distributions to Parent at the effective date of the Reorganisation.

(c) Capital contribution mainly comprised of contribution of certain state-owned land use rights from Parent.

(d) Pursuant to the Reorganisation and the applicable PRC financial regulations, the Company is required to make a distribution (the "Special Distribution'') to Parent in an amount equal to its net profit, as determined in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC, generated from 1 January 2008 to 1 December 2008 (the date on which the Company was established), which amounted to RMB3,121 million.

(e) Business combination under common control

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

Shenyang Real Estate and the Company are controlled and owned by the Parent. Accordingly, the aforesaid transaction is regarded as business combination under common control. Adjustments for common control combination on the consolidated balance sheets at 31 December 2009 and 2008 and the Group's result for the years then ended are as follows:

	The Group before transferred subsidiary	**Transferred subsidiary**	**Consolidation adjustments**	**Year ended 31 December 2009**
	RMB 'million	*RMB 'million*	*RMB 'million*	*RMB 'million*
Year ended 31 December 2009				
Revenue	164,565	453	—	165,018
Profit before income tax	6,729	55	(2)	6,782
Income tax expense	(1,536)	(8)	—	(1,544)
Profit for the year	5,193	47	(2)	5,238

23. RESERVES *(Continued)*

Group *(Continued)*

(e) Business combination under common control *(Continued)*

	The Group before transferred subsidiary *RMB 'million*	Transferred subsidiary *RMB 'million*	Consolidation adjustments *RMB 'million*	As at 31 December 2009 *RMB 'million*
At 31 December 2009				
Assets				
Non-current assets	53,497	3	(31)	53,469
Current assets	174,735	166	(97)	174,804
Total assets	228,232	169	(128)	228,273
Equity				
Capital and reserves				
Share capital	19,110	10	(10)	19,110
Reserves	17,769	23	(33)	17,759
	36,879	33	(43)	36,869
Non-controlling interests	6,825	—	(2)	6,823
Total equity	43,704	33	(45)	43,692
Liabilities				
Non-current liabilities	49,600	—	—	49,600
Current liabilities	134,928	136	(83)	134,981
Total liabilities	184,528	136	(83)	184,581
Total equity and liabilities	228,232	169	(128)	228,273

23. RESERVES *(Continued)*

Group *(Continued)*

(e) Business combination under common control *(Continued)*

	As previously reported *RMB 'million*	Transferred subsidiary *RMB 'million*	Consolidation adjustments *RMB 'million*	As restated *RMB 'million*
Year ended 31 December 2008				
Revenue	157,899	—	(12)	157,887
Profit before income tax	4,023	(6)	(52)	3,965
Income tax expense	(840)	—	—	(840)
Profit for the year	3,183	(6)	(52)	3,125

	As previously reported *RMB 'million*	Transferred subsidiary *RMB 'million*	Consolidation adjustments *RMB 'million*	As restated *RMB 'million*
At 31 December 2008				
Assets				
Non-current assets	39,975	1	—	39,976
Current assets	130,549	494	(101)	130,942
Total assets	170,524	495	(101)	170,918
Equity				
Capital and reserves				
Share capital	13,000	10	(10)	13,000
Reserves	(10,986)	(25)	6	(11,005)
	2,014	(15)	(4)	1,995
Non-controlling interests	5,641	—	(8)	5,633
Total equity	7,655	(15)	(12)	7,628
Liabilities				
Non-current liabilities	26,262	—	—	26,262
Current liabilities	136,607	510	(89)	137,028
Total liabilities	162,869	510	(89)	163,290
Total equity and liabilities	170,524	495	(101)	170,918

23. RESERVES *(Continued)*

Company

	Note	Capital reserve RMB 'million	Translation differences RMB 'million	Other reserves RMB 'million	Retained earnings/ (accumulated deficit) RMB 'million	Total RMB 'million
At 1 December 2008		—	—	—	—	—
Capital surplus from issuance of shares to Parent and Baosteel		6,459	—	—	—	6,459
Profit for the period from 2 December 2008 to 31 December 2008		—	—	—	284	284
Other comprehensive income:						
Currency translation differences		—	1	—	—	1
Total comprehensive income for the period		—	1	—	284	285
Capital contribution		57	—	—	—	57
Dividends	39	—	—	—	(256)	(256)
Appropriations		—	—	28	(28)	—
At 31 December 2008		6,516	1	28	—	6,545
Profit for the year		—	—	—	1,593	1,593
Other comprehensive income:						
Currency translation differences		—	—	—	—	—
Total comprehensive income for the year		—	—	—	1,593	1,593
Dividends	39	—	—	—	(1,875)	(1,875)
Issue of new shares	22	27,461	—	—	—	27,461
Shares issue cost		(1,482)	—	—	—	(1,482)
Appropriations		—	—	159	(159)	—
At 31 December 2009		32,495	1	187	(441)	32,242

The profit attributable to equity holders of the Company for the year ended 31 December 2009 is dealt with in the financial statements of the Company to the extent of profit of RMB1,593 million (2008: RMB284 million).

24. TRADE AND OTHER PAYABLES

Group

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

Please refer to Note 46 for the Group's trade and other payables to related parties.

As at 31 December 2009, long-term payables due to third parties is secured, bears interests at rates ranging from 4.80% to 4.97% per annum and repayable between 1 to 2 years.

The carrying amounts of the current portion of the Group's trade and other payables as at 31 December 2009 approximate their fair values because of their short-term maturities. In addition, the fair value of the Group's non-current trade and other payables as at 31 December 2009 is RMB6,166 million (2008: RMB244 million).

24. TRADE AND OTHER PAYABLES *(Continued)*

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Trade payables	**368**	178
Other payables		
Purchase deposits from customers	**610**	135
Other taxes payable	**32**	13
Interest payable	**121**	381
Amounts due to Parent	**—**	2,914
Amounts due to subsidiaries	**11,299**	8,941
Others	**220**	28
	12,282	12,412
Total trade and other payables - current portion	**12,650**	12,590

Please refer to Note 46 for the Company's trade and other payables to related parties.

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

Group

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

24. TRADE AND OTHER PAYABLES *(Continued)*

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

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Within 1 year	**328**	143
1 year to 2 years	**17**	11
2 years to 3 years	**—**	24
Over 3 years	**23**	—
	368	178

(b) The carrying amounts of the Group and the Company's trade and other payables are denominated in the following currencies:

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
RMB	**88,044**	77,030
US dollar	**3,959**	4,950
Others	**2,855**	602
	94,858	82,582

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
RMB	**12,623**	12,382
US dollar	**17**	157
Others	**10**	51
	12,650	12,590

25. BORROWINGS

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Non-current		
Long-term bank borrowings		
— Secured *(a)*	**9,343**	5,780
— Unsecured	**19,416**	5,717
	28,759	11,497
Other long-term borrowings		
— Secured *(a)*	**722**	3,500
— Unsecured	**3,392**	221
— Debentures *(b(i))*	**3,500**	3,500
	7,614	7,221
Total non-current borrowings	**36,373**	18,718
Current		
Short-term bank borrowings		
— Secured *(a)*	**10,414**	11,598
— Unsecured	**13,540**	21,635
	23,954	33,233
Other short-term borrowings		
— Secured *(a)*	**—**	1
— Unsecured	**703**	6
— Debentures *(b(ii))*	**—**	3,500
	703	3,507
Current portion of long-term bank borrowings		
— Secured *(a)*	**2,430**	1,404
— Unsecured	**1,014**	577
	3,444	1,981

25. BORROWINGS *(Continued)*

Group *(Continued)*

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Current portion of other long-term borrowings		
— Secured *(a)*	**3,500**	—
Total current borrowings	**31,601**	38,721
Total borrowings	**67,974**	57,439

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Non-current		
Long-term bank borrowings		
— Unsecured	**10,225**	5,150
Other long-term borrowings		
— Unsecured	**1,000**	—
— Debentures *(b(i))*	**3,500**	3,500
	4,500	3,500
Total non-current borrowings	**14,725**	8,650
Current		
Short-term bank borrowings		
— Unsecured	**4,595**	14,151
Other short-term borrowings		
— Unsecured	**1,550**	1,000
— Debentures *(b(ii))*	**—**	3,500
	1,550	4,500
Current portion of long-term bank borrowings		
— Unsecured	**259**	385
Total current borrowings	**6,404**	19,036
Total borrowings	**21,129**	27,686

25. BORROWINGS *(Continued)*

(a) Secured borrowings were secured by the Group's property, plant and equipment (Note 6), land use rights (Note 7), properties under development (Note 19) and guarantees provided by certain related parties (Note 46).

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

(ii) As approved by the People's Bank of China, the Group issued debentures in February 2008 at par value of RMB3,500 million, with a maturity of one year from issuance.

(c) Other borrowings excluding debentures mainly represent borrowings from other state-owned enterprises and third parties, as follows:

Group

	As at 31 December	
Lender	**2009**	2008
	RMB 'million	*RMB 'million*
Other state-owned enterprises		
(see note 46 for definition)	**2,014**	128
Third parties	**6,303**	3,600
	8,317	3,728

Company

	As at 31 December	
Lender	**2009**	2008
	RMB 'million	*RMB 'million*
Subsidiaries	**2,550**	1,000

25. BORROWINGS *(Continued)*

(d) The exposure of the Group and the Company's borrowings to interest rate changes and contractual re-pricing at the balance sheet date are as follows:

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
6 months or less	**44,350**	43,173
6 to 12 months	**9,321**	4,882
1 year to 5 years	**10,795**	5,760
Over 5 years	**3,508**	3,624
	67,974	57,439

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
6 months or less	**17,629**	24,186
Over 5 years	**3,500**	3,500
	21,129	27,686

(e) The maturities of the Group's and the Company's total borrowings at the balance sheet date are set out as follows:

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Within 1 year	**31,601**	38,721
1 year to 2 years	**13,918**	7,020
2 years to 5 years	**16,497**	7,048
Wholly repayable within 5 years	**62,016**	52,789
Over 5 years	**5,958**	4,650
	67,974	57,439

25. BORROWINGS *(Continued)*

(e) The maturities of the Group's and the Company's total borrowings at the balance sheet date are set out as follows: *(Continued)*

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Within 1 year	**6,404**	19,036
1 year to 2 years	**6,149**	259
2 years to 5 years	**3,570**	4,191
Wholly repayable within 5 years	**16,123**	23,486
Over 5 years	**5,006**	4,200
	21,129	27,686

(f) The carrying amounts of the Group's and the Company's borrowings are denominated in the following currencies:

Group

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

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
RMB	**20,338**	25,591
US dollar	**791**	2,095
	21,129	27,686

25. BORROWINGS *(Continued)*

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

Group

	As at 31 December	
	2009	2008
Bank borrowings		
— RMB	**5.13%**	6.26%
— US dollar	**4.56%**	5.69%
Other borrowings		
— RMB	**6.06%**	7.49%

Company

	As at 31 December	
	2009	2008
Bank borrowings		
— RMB	**4.88%**	6.50%
— US dollar	**4.32%**	5.31%
Other borrowings		
— RMB	**5.99%**	5.77%

(h) The carrying amounts of the current borrowings approximate their fair values because of their short-term maturities. The fair values of non-current borrowings are set out as follows:

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Fair value		
— Long-term bank borrowings	**28,407**	11,095
— Long-term other borrowings (excluding debentures)	**3,919**	3,713
— Debentures	**3,355**	3,325
	35,681	18,133

The fair values of non-current borrowings are estimated based on discounted cash flows using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date.

25. BORROWINGS *(Continued)*

(h) The carrying amounts of the current borrowings approximate their fair values because of their short-term maturities. The fair values of non-current borrowings are set out as follows: *(Continued)*

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Fair value		
— Long-term bank borrowings	**10,225**	5,150
— Other long-term borrowings (excluding debentures)	**1,000**	—
— Debentures	**3,355**	3,325
	14,580	8,475

The fair values of non-current borrowings are estimated based on discounted cash flows using the prevailing market rates of interest available to the Company for financial instruments with substantially the same terms and characteristics at the balance sheet date.

26. DEFERRED INCOME

Group

	Government grants relating to research and development expenditure	Government grants relating to property, plant and equipment	Deferred housing rental income	Subsidies relating to housing relocation and demolition	Others	Total
	RMB 'million	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*
At 1 January 2008	30	194	103	52	77	456
Additions	119	70	—	—	—	189
Amortisation	(70)	(105)	(5)	(2)	(32)	(214)
At 31 December 2008	79	159	98	50	45	431
Additions	87	37	—	6	4	134
Amortisation	(54)	(56)	(5)	(3)	(40)	(158)
At 31 December 2009	112	140	93	53	9	407

27. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS

(a) State-managed retirement plans

The Chinese employees of the Group participate in employee social security plans organised and administrated by the PRC government authority. The PRC group companies are required to contribute from 16% to 22%, depending on the applicable local regulations, of payroll costs to the state-managed retirement plans. The obligation of these PRC group companies with respect to the state-managed retirement plans is to make the specified contributions.

The total cost charged to consolidated income statement during the year is as follows:

Group

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Contributions to state-managed retirement plans	**930**	761

At the balance sheet date, the following amount had not been paid to the state-managed retirement plans:

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Amount due to state-managed retirement plans included in trade and other payables	**234**	256

27. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS *(Continued)*

(b) Early retirement and supplemental benefit obligations

The amounts of early retirement and supplemental benefit obligations recognised in the consolidated balance sheet are determined as follows:

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Present value of defined benefits obligations	**6,356**	7,602
Unrecognised actuarial gain/(losses)	**250**	(472)
Liability arising from defined benefit obligations	**6,606**	7,130
Less: current portion	**(665)**	(905)
Non-current portion	**5,941**	6,225

The movements of the Group's early retirement and supplemental benefit obligations over the year are as follows:

Group

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
At beginning of year	**7,130**	7,728
For the year		
- Interest costs *(Note 33)*	**215**	321
- Payment	**(627)**	(709)
- Actuarial (gains)/losses *(Note 33)*	**(112)**	122
- Past service cost *(Note 33)*	**—**	(332)
At end of year	**6,606**	7,130

The above obligations were determined based on actuarial valuations performed by an independent qualified actuarial firm, Towers Perrin Consulting Company Limited (member of the Society of Actuaries and the China Association of Actuaries), using the projected unit credit actuarial cost method.

27. RETIREMENT AND OTHER SUPPLEMENTAL BENEFIT OBLIGATIONS *(Continued)*

(b) Early retirement and supplemental benefit obligations *(Continued)*

The material actuarial assumptions used in valuing these obligations are as follows:

(i) Discount rates adopted (per annum):

	Year ended 31 December	
	2009	2008
Discount Rate	**3.75%**	3.00%

(ii) Early-retirees' salary and supplemental benefits increase rate: 4.50%;

(iii) Medical cost trend rate: 8.00%;

(iv) Mortality: Average life expectancy of residents in the PRC; and

(v) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

28. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Group

	Lawsuits *RMB 'million*	**Warranties** *RMB 'million*	**Total** *RMB 'million*
At 1 January 2008	22	—	22
Additions	12	11	23
Utilised	(14)	(5)	(19)
At 31 December 2008	20	6	26
Additions	38	16	54
Utilised	(14)	(7)	(21)
At 31 December 2009	44	15	59

29. DEFERRED INCOME TAX

(a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Deferred income tax assets		
- Deferred tax assets to be recovered after more than 12 months	**1,420**	1,173
- Deferred tax assets to be recovered within 12 months	**514**	407
	1,934	1,580
Deferred income tax liabilities		
- Deferred tax liabilities to be recovered after more than 12 months	**(398)**	(385)
- Deferred tax liabilities to be recovered within 12 months	**(241)**	(220)
	(639)	(605)
Deferred income tax assets-net	**1,295**	975

The gross movements on the deferred income tax are as follows:

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
At beginning of year	**975**	(57)
Attributable to acquisition of subsidiaries	**—**	(33)
Credited to the consolidated income statement *(Note 36)*	**369**	667
(Charged)/credited to equity	**(75)**	360
Exchange differences	**26**	38
At end of the year	**1,295**	975

29. DEFERRED INCOME TAX *(Continued)*

(b) The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Group

	Provision for impairment of assets	Provision for retirement and other supplemental benefit obligation	Deductible tax loss	Unrealised profit on inter-company transactions	Government grant for purchase of property, plant and equipment	Valuation surplus of property, plant and equipment and land use rights	Others	Total
	RMB 'million	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*	*RMB 'million*
Deferred tax assets								
At 1 January 2008	312	526	71	23	10	—	46	988
Credited/(charged) to the consolidated income statement	285	(37)	204	11	(1)	118	12	592
At 31 December 2008	597	489	275	34	9	118	58	1,580
Credited/(charged) to the consolidated income statement	44	56	104	115	5	(18)	48	354
At 31 December 2009	641	545	379	149	14	100	106	1,934

29. DEFERRED INCOME TAX *(Continued)*

(b) The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows: *(Continued)*

Group *(Continued)*

	Change in fair value of financial assets *RMB 'million*	Safety Fund *RMB 'million*	Welfare payable *RMB 'million*	Fair value adjustments upon business combination *RMB 'million*	Others *RMB 'million*	Total *RMB 'million*
Deferred tax liabilities						
At 1 January 2008	409	59	50	524	3	1,045
Credited to the consolidated income statement	(6)	(10)	(33)	(24)	(2)	(75)
Credited directly to equity	(360)	—	—	—	—	(360)
Attributable to acquisition of subsidiaries *(Note 41)*	—	—	—	33	—	33
Exchange differences	—	—	—	(38)	—	(38)
At 31 December 2008	43	49	17	495	1	605
Charged/(credited) to the consolidated income statement	3	(5)	(9)	(5)	1	(15)
Charged directly to equity	75	—	—	—	—	75
Exchange differences	—	—	—	(26)	—	(26)
At 31 December 2009	121	44	8	464	2	639

The deferred income tax charged/(credited) to equity during the year is as follows:

Group

	Year ended 31 December	
	2009 ***RMB 'million***	2008 *RMB 'million*
Fair value reserves in equity:		
— Available-for-sale financial assets	**75**	(360)

In accordance with the PRC tax law or other tax regulations applicable to those companies in their respective jurisdictions, tax losses may be carried forward to offset future taxable income. As at 31 December 2009, the Group did not recognise deferred tax assets of RMB462 million (2008: RMB467 million) in respect of tax losses amounting to RMB1,850 million (2008: RMB1,868 million), as management believes it is more likely than not that such tax losses would not be realised before they expire.

30. OTHER INCOME

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Dividend income from available-for-sale financial assets *(a)*	**52**	32
Dividend income from financial assets at fair value through profit or loss *(a)*	**1**	1
Income from liabilities forgiven	**64**	177
Insurance reimbursement	**1**	4
Rental income	**206**	307
Government grants *(b)*	**563**	493
Others	**68**	50
	955	1,064

(a) Dividend income from listed investments for the year ended 31 December 2009 was RMB12 million (2008: RMB12 million), and dividend income from unlisted investments was RMB41 million (2008: RMB21 million).

(b) Government grants mainly represent value-added tax refund granted by PRC government and subsidy granted by PRC government to support the development of the Group.

31. OTHER GAINS — NET

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Financial assets at fair value through profit or loss *(Note 17)*:		
- Fair value gains	**1**	—
Net foreign exchange losses *(Note 35)*	**(96)**	(142)
Gain on disposal of associates	**—**	13
Gain on disposal of subsidiaries	**—**	3
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition *(Note 41)*	**110**	—
Gain on disposal of property, plant and equipment	**57**	75
Gain on disposal of financial assets at fair value through profit or loss	**—**	5
Gain on disposal of held-to-maturity financial assets	**—**	11
(Loss)/gain on disposal of available-for-sale financial assets	**(15)**	528
Impairment loss for available-for-sale financial assets	**—**	(2)
Others	**(19)**	34
	38	525

32. EXPENSES BY NATURE

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Raw materials, purchased equipment and consumables used	**61,847**	72,642
Changes in inventories of finished goods and work-in-progress	**(4,996)**	(6,861)
Subcontracting charges	**70,595**	59,180
Employee benefits *(Note 33)*	**10,796**	9,875
Depreciation of property, plant and equipment *(Note 6)*	**1,553**	1,602
Fuel and heating expenditure	**460**	493
Business tax and other transaction taxes	**4,114**	3,872
Travelling expenses	**1,128**	1,046
Office expenses	**1,516**	1,494
Transportation costs	**581**	608
Operating lease rentals	**4,213**	3,614
Provision for impairment of trade and other receivables *(Note 16)*	**778**	407
Research and development costs	**1,450**	1,021
Repairs and maintenance	**834**	815
Advertising expenditure	**193**	121
(Reversal of foreseeable losses)/foreseeable losses on construction contracts	**(58)**	93
Amortisation of land use rights *(Note 7)*	**144**	142
Amortisation of mining rights *(Note 8)*	**6**	6
Depreciation of investment property *(Note 9)*	**21**	28
Amortisation of intangible assets *(Note 10)*	**41**	27
Insurance expenditure	**80**	77
(Reversal of)/provision for impairment on inventories *(Note 19)*	**(14)**	644
Professional and technical consulting fees	**514**	633
Auditors' remuneration	**55**	45
Bank charges relating to operating activities	**166**	242
Others	**1,259**	1,223
Total cost of sales, selling and marketing expenses and administrative expenses	**157,276**	153,089

33. EMPLOYEE BENEFITS

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Salaries, wages and bonuses, including restructuring costs and other termination benefits	**7,925**	7,289
Contributions to pension plans *(a)*	**930**	761
Early retirement and supplemental pension benefits *(Note 27 and b)*		
— interest cost	**215**	321
— actuarial (gains)/losses	**(112)**	122
— past service cost	**—**	(332)
Housing benefits *(c)*	**371**	341
Welfare, medical and other expenses	**1,467**	1,373
	10,796	9,875

(a) The employees of the Group companies in the PRC participate in various retirement benefit plans organised by the relevant municipal and provincial government in the PRC to which the Group is required to make monthly contributions at rates ranging from 16% to 22%, depending on the applicable local regulations, of the employees' basic salary for the year.

(b) Early retirement benefits are recognised in the consolidated income statement in the year in which the Group entered into an agreement specifying the terms of redundancy or after the individual employee had been advised of the specific terms. These specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and location of the employee concerned.

The Group also provided supplementary pension subsidies to employees who retired prior to 31 December 2007. The costs of providing these pension subsidies are charged to the consolidated income statement so as to spread the service costs over the average service lives of the retirees.

(c) These represent contributions to the government-sponsored housing funds (at rates ranging from 5% to 20% of the employees' basic salary) in the PRC.

34. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Interest expense		
— Bank borrowings wholly repayable within 5 years	**3,142**	2,517
— Bank borrowings repayable over 5 years	**248**	275
— Other borrowings	**550**	547
	3,940	3,339
Less: Amounts capitalised in construction-in-progress *(a)*	**(375)**	(116)
Less: Amounts capitalised in properties under development *(b)*	**(1,023)**	(501)
	2,542	2,722
Net foreign exchange gains on borrowings *(Note 35)*	**(8)**	(4)
Discount charges on bank acceptance notes	**81**	287
Finance costs	**2,615**	3,005
Interest income on bank deposits	**(449)**	(391)
Interest income on held-to-maturity financial assets	**(3)**	(4)
Interest income on loans to related parties *(Note 46(a))*	**(74)**	(65)
Others	**(186)**	(88)
Finance income	**(712)**	(548)
Finance costs, net	**1,903**	2,457

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

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

35. NET FOREIGN EXCHANGE LOSSES

The exchange differences charged/(credited) to the consolidated income statement are included as follows:

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Other gains - net *(Note 31)*	**96**	142
Net finance costs *(Note 34)*	**(8)**	(4)
	88	138

36. TAXATION

(a) Income tax expense

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

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

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

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

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Current income tax:		
— PRC enterprise income tax	**1,768**	1,467
— Overseas taxation	**7**	4
	1,775	1,471
Deferred income tax *(Note 29)*	**(369)**	(667)
	1,406	804
PRC land appreciation tax *(d)*	**138**	36
	1,544	840

36. 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	
	2009	2008
	RMB 'million	*RMB 'million*
Profit before income tax	**6,782**	3,965
Tax calculated at the statutory tax rate of 25%	**1,696**	991
Effect of difference between applicable tax rate and statutory tax rate to Group companies	**(484)**	(374)
Tax losses for which no deferred income tax asset was recognised	**317**	408
Income not subject to taxation	**(54)**	(52)
Expense not deductible for tax purpose	**270**	99
Additional tax relief	**(107)**	(101)
Utilisation of previously unrecognised tax losses and other deferred tax assets	**(192)**	(20)
Deferred tax changes resulted from statutory tax rate changes	**(10)**	(21)
Tax benefit related to restatement of the tax base of assets	**—**	(118)
Effect of higher tax rate for the appreciation of land in the PRC	**104**	27
Others	**4**	1
Income tax expense	**1,544**	840

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

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

36. TAXATION *(Continued)*

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

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

(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.

37. DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' and Supervisors' emoluments

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Directors and Supervisors		
— Basic salaries, housing allowances, other allowances and benefits-in-kind	**2,128**	1,752
— Contributions to pension plans	**155**	102
— Discretionary bonuses	**2,084**	1,386
	4,367	3,240

37. DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(a) Directors' and Supervisors' emoluments *(Continued)*

The emoluments received by individual Directors and Supervisors are as follows:

(i) For the year ended 31 December 2009:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB 'thousand	*RMB 'thousand*	*RMB 'thousand*	*RMB 'thousand*
Directors				
— Mr. Liu Benren	205	—	—	205
— Mr. Wang Weimin	273	26	341	640
— Mr. Shen Heting	273	26	341	640
— Mr. Guo Wenqing *	247	26	307	580
— Mr. Jiang Longsheng	130	—	—	130
— Mr. Wen Keqin	129	—	—	129
— Mr. Liu Li	131	—	—	131
— Mr. Chen Yongkuan	110	—	—	110
— Mr. Cheung Yukming *	57	—	—	57
Supervisors				
— Mr. Han Changlin	247	26	307	580
— Mr. Peng Haiqing	141	25	316	482
— Mr. Shao Jinhui	185	26	472	683
	2,128	155	2,084	4,367

* Mr. Guo Wenqing and Mr. Cheung Yukming were appointed on 19 June 2009.

37. DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(a) Directors' and Supervisors' emoluments *(Continued)*

(ii) For the year ended 31 December 2008:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB 'thousand	*RMB 'thousand*	*RMB 'thousand*	*RMB 'thousand*
Directors				
— Mr. Liu Benren	172	—	—	172
— Mr. Wang Weimin	377	23	—	400
— Mr. Shen Heting	236	23	490	749
— Mr. Jiang Longsheng	122	—	—	122
— Mr. Wen Keqin	107	—	—	107
— Mr. Liu Li	107	—	—	107
— Mr. Chen Yongkuan	—	—	—	—
Supervisors				
— Mr. Han Changlin	214	23	434	671
— Mr. Peng Haiqing	151	10	112	273
— Mr. Shao Jinhui	266	23	350	639
	1,752	102	1,386	3,240

(b) Five highest paid individuals

None of the Directors' and Supervisors' emoluments as disclosed in Note 37 (a) above was included in the emoluments paid to five highest paid individuals. The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Year ended 31 December	
	2009	2008
	RMB 'thousand	*RMB 'thousand*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**308**	3,498
Contributions to pension plans	**117**	97
Discretionary bonuses	**9,530**	3,735
	9,955	7,330

37. DIRECTORS', SUPERVISORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emoluments of the above individuals fell within the following bands:

	Number of individuals Year ended 31 December	
	2009	2008
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	1
HK$1,500,001 to HK$2,000,000	**3**	4
HK$2,000,001 to HK$2,500,000	**1**	—
HK$2,500,001 to HK$3,000,000	**—**	—
HK$3,000,001 to HK$3,500,000	**—**	—
HK$3,500,001 to HK$4,000,000	**1**	—
HK$4,000,001 to HK$4,500,000	**—**	—
HK$4,500,001 to HK$5,000,000	**—**	—
	5	5

38. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

39. DIVIDENDS

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

40. CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Profit for the year	**5,238**	3,125
Adjustments for:		
— Income tax expense	**1,544**	840
— Share of profit from associates	**(85)**	(120)
— Fair value gains on financial assets at fair value through profit or loss	**(1)**	—
— Gains on disposal of subsidiaries	**—**	(3)
— Gains on disposal of associates	**—**	(13)
— Losses on liquidation of subsidiaries	**35**	—
— Excess of fair value of the share of the identifiable net assets acquired over the cost of acquisition	**(110)**	—
— Losses/(gains) on disposal of available-for-sale financial asset	**15**	(528)
— Gains on disposal of held-to-maturity financial asset	**—**	(11)
— Net gains on disposal of property, plant and equipment	**(57)**	(75)
— Dividends income on available-for-sale financial assets	**(52)**	(32)
— Dividends income on financial assets at fair value through profit or loss	**(1)**	(1)
— Provision for impairment of available-for-sale financial assets	**—**	2
— Gains on debt restructuring	**(74)**	(88)
— Interest income	**(638)**	(460)
— Interest expense	**2,623**	3,009
— Net foreign exchange gains on borrowings	**(8)**	(4)
— Exchange (gains)/losses on cash and cash equivalents	**(19)**	318
— Provision for impairment of trade and other receivables	**778**	407
— (Reversal of)/provision for impairment of inventories	**(14)**	644
— Provision for impairment of investment in associates	**4**	—
— Provision for impairment of intangible assets	**15**	—
— Depreciation of property, plant and equipment	**1,553**	1,602
— Depreciation of investment properties	**21**	28
— Amortisation of land use rights	**144**	142
— Amortisation of intangible assets	**41**	27
— Amortisation of mining rights	**6**	6
— Amortisation of government grants	**(158)**	(214)
— Amortisation of other non-current assets	**13**	25
— Foreseeable losses on construction contracts	**(58)**	93
— Income from liabilities forgiven	**(64)**	(177)
— Other exchange losses/(gains)	**115**	(176)
Cash flows from operating activities before changes in working capital	**10,806**	8,366

40. CASH GENERATED FROM OPERATIONS *(Continued)*

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Cash flows from operating activities before changes in working capital	**10,806**	8,366
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
— Inventories, property under development and completed properties held for sale	**(4,192)**	(6,922)
— Trade and other receivables	**(11,402)**	(10,176)
— Contract work-in-progress	**(9,229)**	(1,109)
— Early retirement and other supplemental benefit obligations	**(524)**	(598)
— Trade and other payables	**8,902**	17,096
— Provisions	**33**	4
— Financial assets at fair value through profit or loss	**(298)**	22
— Government grants	**172**	189
— Interest received	**567**	457
Cash (used in)/generated from operations	**(5,165)**	7,329

41. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS

Equity interests in certain subsidiaries now comprising the Group were acquired from third parties. Acquisitions of equity interests in these subsidiaries were accounted for using the acquisition method of accounting effective from the dates when the subsidiaries were controlled by the Group. Details are as follows:

(a) For the year ended 31 December 2009

For the year ended 31 December 2009, the Group acquired equity interests in the following companies:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration
			RMB 'million
Zhongaoxin Real Estate Co., Ltd.	23 March 2009	100%	18
Changchun Jingcheng Machinery Co., Ltd.	8 April 2009	55%	—*
Tianjin Binhai Jintang Construction & Development Co., Ltd.	22 June 2009	90%	90
Humen Dongguan City Sky-Scraping Building Materials Co., Ltd.	1 July 2009	65%	—
Huludao Tongxin Technology Co., Ltd.	1 July 2009	100%	—
Baotou MCC Real Estate Co., Ltd.	1 September 2009	60%	36
Wuhan Huaxia Jingchong Technology Co., Ltd.	25 September 2009	68%	27
Hunan Yifu Real Estate Co., Ltd.	31 October 2009	100%	30
Hubei Tianchenghuamei Real Estate Development Co., Ltd.	24 November 2009	100%	54
			255

* Cash consideration is less than RMB1 million

41. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(a) For the year ended 31 December 2009 *(Continued)*

The acquired businesses contributed revenue of RMB594 million and loss of RMB2 million to the Group for the period from the respective acquisition dates to 31 December 2009.

If the acquisitions had occurred on 1 January 2009, the Group's revenue for the period would have been RMB165,048 million and profit for the period would have been RMB5,235 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2009, together with the consequential tax effects.

	RMB 'million
Cash consideration	255
Fair value of trade receivables held before the business combination	10
	265

	RMB 'million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	301
Property, plant and equipment	35
Inventories	242
Trade and other receivables	202
Deferred income tax assets	—*
Trade and other payables	(265)
Dividends payable	(1)
Total identifiable net assets	514
Non-controlling interest in acquirees	(140)
Goodwill	1
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition *(Note 31)*	(110)
	265

* Deferred income tax assets is less than RMB1 million.

The excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition of RMB110 million is attributable to a bargain deal.

41. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) For the year ended 31 December 2008

For the year ended 31 December 2008, the Group acquired equity interests in the following companies:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration
			RMB 'million
Dalian Phoelin Safety Evaluation and Examination Co., Ltd.	31 March 2008	100%	3
Shanghai Wu Gang Engineering and Management Co., Ltd.	31 July 2008	100%	37
Shanghai Yi Gang Electrical and Mechanical Co., Ltd.	31 July 2008	100%	84
Beijing Huayuan Hotel Co., Ltd.	30 September 2008	100%	123
MCC Baoding Capital Papermaking Co., Ltd.	18 October 2008	100%	6
			253

The acquired businesses contributed revenue of RMB160 million and loss of RMB3 million to the Group for the period from the respective acquisition dates to 31 December 2008.

If the acquisitions had occurred on 1 January 2008, the Group's revenue for the period would have been RMB158,298 million and profit for the year would have been RMB3,134 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2008, together with the consequential tax effects.

41. BUSINESS COMBINATIONS OTHER THAN COMMON CONTROL COMBINATIONS *(Continued)*

(b) For the year ended 31 December 2008 *(Continued)*

	RMB 'million
Cash consideration	253

	RMB 'million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	65
Property, plant and equipment	338
Land use rights	268
Inventories	42
Trade and other receivables	182
Deferred income tax liabilities	(33)
Trade and other payables	(604)
Borrowings	(30)
Total identifiable net assets	228
Goodwill	25
	253

The goodwill of RMB25 million is attributable to the profitability of some acquired businesses and the synergies expected to arise after the acquisition.

42. DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 December 2009

There were no significant disposals during the year ended 31 December 2009.

(b) For the year ended 31 December 2008

For the year ended 31 December 2008, the Group disposed equity interests in the following companies:

Company name	Disposal date	Percentage of equity interests disposed	Sales Proceeds *RMB 'million*
Gu'an En Fei Industry Manufacture Co., Ltd.	20 March 2008	92%	11

Details of net assets disposed of and gain on disposal are as follows:

	RMB 'million
Sales proceeds - cash received	11
Less: Net assets disposed - as shown below	(8)
Gain on disposal	3

The effect of the disposal is as follows:

	RMB 'million
Property, plant and equipment	3
Land use right	6
Net assets	9
Non-controlling interests	(1)
Net assets disposed	8
Sales proceeds	11
Less: Cash and cash equivalents of subsidiaries disposed	—
Net cash inflow on disposal of subsidiaries	11

43. FINANCIAL GUARANTEE

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

Group

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

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Outstanding guarantees *(ii)*		
— Subsidiaries	**26,427**	11,197
— Third parties	**783**	1,127
	27,210	12,324

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

(ii) The Company has acted as the guarantor for various external borrowings made by certain subsidiaries of the Company and certain third parties.

(iii) The Company considers that the fair value of these contracts at the date of inception was not material, the repayment was on schedule and risk of default in payment was remote. Therefore no provision has been made in the financial statements for the guarantees.

44. CONTINGENCIES

Group

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

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

45. COMMITMENTS

(a) Capital commitments

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Contracted but not yet incurred		
- Property, plant and equipment	**32,432**	35,468
- Mining rights	**5,434**	5,445
- Intangible assets	**505**	1,736
Total	**38,371**	42,649

(b) Investment commitments

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Investment commitments	**661**	2,529

45. COMMITMENTS *(Continued)*

(c) Operating leasing commitments

Group

The Group leases various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Less than 1 year	**4**	4
1 year to 5 years	**9**	11
Over 5 years	**29**	27
Total	**42**	42

46. RELATED PARTY DISCLOSURES

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the "state-owned enterprises").

In accordance with IAS 24 ''Related Party Disclosures'', other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group (''other state-owned enterprises''). For the purpose of related party disclosures, the Group has put in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in the financial statement, the following is a summary of significant related party transactions entered into in the ordinary courses of business between the Group and its related parties, including other state-owned enterprises, during the year and balances as at 31 December 2009 arising from related party transactions.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

46. RELATED PARTY DISCLOSURES *(Continued)*

(a) Significant related party transactions

During the year, the Group had the following significant transactions with related parties:

With Parent and fellow subsidiaries

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Sales of goods or provision of services	**574**	346
Purchases of goods or services	**67**	33
Guarantees provided to fellow subsidiaries *(i)*	**—**	400
Rental income	**3**	—
Rental expense	**20**	17
Interest income from loan to fellow subsidiaries	**—**	13
Interest expense	**3**	—

(i) Up to 31 December 2009, all the guarantees provided to fellow subsidiaries have been released.

With associates

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Sales of goods or provision of services	**151**	2
Purchases of goods or services	**108**	121
Loans to associates	**208**	610
Guarantees provided to associates	**50**	—
Interest income	**74**	52

Impairment charges of receivables due from associates amounting to RMB2 million (2008: nil) were recognised as expense for the year ended 31 December 2009.

46. RELATED PARTY DISCLOSURES *(Continued)*

(a) Significant related party transactions *(Continued)*

With non-controlling interests

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Sales of goods or provision of services	**1,491**	14
Purchases of goods or services	**85**	105
Loans from non-controlling interests	**—**	180
Guarantee from non-controlling interests	**81**	—
Interest expense	**—**	19

Impairment charges of receivables due from non-controlling interests amounting to RMB2 million (2008: nil) were recognised as expense for the year ended 31 December 2009.

With other state-owned enterprises

	Year ended 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Sales of goods or provision of services	**15,797**	11,824
Purchases of goods or services	**1,337**	1,529
Interest income	**420**	290
Interest expense	**2,833**	1,947
Guarantees provided to other state-owned enterprises	**—**	524
Guarantees provided by other state-owned enterprises	**50**	676

Impairment charges of receivables due from other state-owned enterprises amounting to RMB26 million (RMB61 million) were recognised as expense for the year ended 31 December 2009.

46. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties

(i) Trade and other receivable

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Trade receivables due from		
— Parent and fellow subsidiaries	**96**	7
— Associates	**16**	—
— Non-controlling interests	**151**	1
— Other state-owned enterprises	**2,310**	1,682
Less: provision	**(99)**	(142)
	2,474	1,548
Other receivables due from		
— Parent and fellow subsidiaries	**480**	783
— Associates	**1,080**	789
— Non-controlling interests	**701**	798
— Other state-owned enterprises	**118**	461
Less: provision	**(4)**	(10)
	2,375	2,821
	4,849	4,369

As at 31 December 2009, loans to associates of RMB1,022 million (2008: RMB662 million) included in other receivables due from associates bear interests at rates ranging from 3% to 10% per annum with loan periods from 6 months to 3 years. Loans to associates are unsecured.

Other than loans to associates, other receivables due from Parent and fellow subsidiaries, associates, non-controlling interests and other state-owned enterprise are unsecured, interest free and have no fixed term of repayment.

46. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties *(Continued)*

(i) Trade and other receivable *(Continued)*

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Trade receivables due from subsidiaries	**1,033**	82
Other receivables due from subsidiaries	**13,752**	16,648
	14,785	16,730

As at 31 December 2009, loans to subsidiaries bear interests at rates ranging from 5.31% to 8.22% per annum with loan periods from 1 year to 3 years.

Other receivables due from subsidiaries are unsecured, interest free and have no fixed term of repayment.

(ii) Trade and other payable

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Trade payables due to		
— Parent and fellow subsidiaries	**220**	22
— Associates	**86**	70
— Non-controlling interests	**388**	1
— Other state-owned enterprises	**232**	620
	926	713
Other payables due to		
— Parent and fellow subsidiaries	**45**	2,955
— Non-controlling interests	**113**	467
— Other state-owned enterprises	**969**	2,286
	1,127	5,708
	2,053	6,421

Other payables due to Parent and fellow subsidiaries, associates, non-controlling interest and other state-owned enterprise are unsecured, interest free and have no fixed term of repayment.

46. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties *(Continued)*

(ii) Trade and other payable *(Continued)*

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Trade payables due to subsidiaries	**119**	73
Other payables due to		
— Parent	**—**	2,914
— Subsidiaries	**11,299**	8,941
	11,299	11,855
	11,418	11,928

Other payables due to subsidiaries are unsecured, interest free and have no fixed term of repayment.

(iii) Borrowings

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
— Other state-owned enterprises (mainly state-owned banks and financial institutions)	**48,495**	37,995

46. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties *(Continued)*

(iii) Borrowings *(Continued)*

Group *(Continued)*

The maturities of the Group's borrowings from other state-owned enterprises at respective balance sheet dates are set out as follows:

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
Within 1 year	**22,367**	28,521
1 year to 2 years	**11,524**	1,896
2 years to 5 years	**12,159**	6,440
Wholly repayable within 5 years	**46,050**	36,857
Over 5 years	**2,445**	1,138
	48,495	37,995

Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
— Subsidiaries	**2,550**	1,000

The Company's borrowings from subsidiaries as at 31 December 2009 are unsecured, bear interest at 4.81% (2008: 5.04%) per annum and repayable in September 2011 (2008: May 2009).

46. RELATED PARTY DISCLOSURES *(Continued)*

(b) Balances with related parties *(Continued)*

(iv) Dividends payable

Group & Company

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
— Parent	—	253
— Baosteel	—	3
	—	256

(v) Other balances with other state-owned enterprises

Group

	As at 31 December	
	2009	2008
	RMB 'million	*RMB 'million*
— Restricted cash	**1,106**	1,024
— Cash and cash equivalents	**40,623**	22,574
	41,729	23,598

(c) Key management compensation

Key management includes directors (executive and non-executive), supervisors, president, vice presidents, secretary to the Board of Directors and chief accountant of the Company. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2009	2008
	RMB 'thousand	*RMB'thousand*
Basic salaries, housing allowances, other allowances and benefits-in-kind	**3,337**	2,926
Contributions to pension plans	**285**	175
Discretionary bonuses	**3,585**	3,765
	7,207	6,866

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) Subsidiaries

As at 31 December 2009, the Group had direct and indirect equity interests in the following principal subsidiaries:

Company Name	Place of incorporation	Type of legal entities	Issued/paid-in capital *million*	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Principal activities and place of operation
Non-listed companies-						
Central Research Institute of Building and Construction Co., Ltd., MCC Group	PRC	Limited liability company	RMB 1,383	100%	—	Design, research, engineering and construction/PRC
Beijing MCC Equipment Research & Design Corporation Ltd.	PRC	Limited liability company	RMB335	100%	—	Design, research, engineering and construction/PRC
China Enfi Engineering Co., Ltd.	PRC	Limited liability company	RMB1,150	100%	—	Design, engineering, procurement and construction/PRC
Cheng Du Surveying Geotechnical Research Institute Co., Ltd. of MCC	PRC	Limited liability company	RMB45	100%	—	Surveying and design/PRC
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	PRC	Limited liability company	RMB166	100%	—	Surveying and design/PRC
China Second Metallurgical Construction Corporation Limited	PRC	Limited liability company	RMB 683	100%	—	Engineering and construction/PRC
MCC Tongsin Resources Ltd.	British Virgin Islands	Limited liability company	USD12.5	100%	—	Resource development/ overseas
MCC Overseas Ltd.	PRC	Limited liability company	RMB80	100%	—	Engineering and construction/overseas
MCC International Incorporation Ltd.	PRC	Limited liability company	RMB83	100%	—	Engineering and Construction/overseas
MCC Mining (Western Australia) Pty Ltd.	Australia	Limited liability company	AUD20	100%	—	Resource development/overseas
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	PRC	Limited liability company	RMB100	100%	—	Design and services/PRC

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(a) Subsidiaries *(Continued)*

As at 31 December 2009, the Group had direct and indirect equity interests in the following principal subsidiaries: *(Continued)*

Company Name	Place of incorporation	Type of legal entities	Issued/paid-in capital *million*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Non-listed companies-						
Chongqing Iron and Steel Designing Institute Co., Ltd.	PRC	Limited liability company	RMB866	100%	—	Design and services/PRC
Wuhan Iron and Steel Design & Research Incorporation Limited	PRC	Limited liability company	RMB63	100%	—	Design and services/PRC
MCC Maanshan I & S Design and Research Institute Co., Ltd.	PRC	Limited liability company	RMB61	100%	—	Design and services/PRC
Baotou Engineering & Research Corp. of Iron & Steel Industry	PRC	Limited liability company	RMB250	100%	—	Design and services/PRC
Anshan Engineering & Research Incorporation of Metallurgical Industry	PRC	Limited liability company	RMB69	100%	—	Design and services/PRC
Anshan Coking and Refractory Engineering Consulting Corporation	PRC	Limited liability company	RMB96	100%	—	Design and services/PRC
Changsha Metallurgical Design & Research Institute Co., Ltd.	PRC	Limited liability company	RMB167	100%	—	Design and services/PRC
Wuhan Research Institute of Metallurgical Construction Co, Ltd.	PRC	Limited liability company	RMB55	100%	—	Design and services/PRC
Shenyang Institute of Geotechnical Investigation Corporation MCC	PRC	Limited liability company	RMB98	100%	—	Surveying and design/PRC
China MCC 3 Group Co., Ltd.	PRC	Limited liability company	RMB614	100%	—	Engineering and construction/PRC
China MCC 5 Group Co., Ltd.	PRC	Limited liability company	RMB370	100%	—	Engineering and construction/PRC

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(a) Subsidiaries *(Continued)*

As at 31 December 2009, the Group had direct and indirect equity interests in the following principal subsidiaries: *(Continued)*

Company Name	Place of incorporation	Type of legal entities	Issued/paid-in capital *million*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Non-listed companies-						
China 13th Metallurgical Construction Corporation	PRC	Limited liability company	RMB112	100%	—	Engineering and construction/PRC
China No.18 Metallurgical Construction Co., Ltd.	PRC	Limited liability company	RMB291	100%	—	Engineering and construction/PRC
China MCC 19 Group Co., Ltd.	PRC	Limited liability company	RMB1,344	100%	—	Engineering and construction/PRC
China MCC 22 Group Co., Ltd.	PRC	Limited liability company	RMB500	100%	—	Engineering and construction/PRC
North China Metallurgical Construction Co., Ltd.	PRC	Limited liability company	RMB316	100%	—	Engineering and construction/PRC
MCC Tiangong Construction Corporation Limited	PRC	Limited liability company	RMB510	98%	—	Engineering and construction/PRC
MCC Huaye Resources Development Co., Ltd.	PRC	Limited liability company	RMB291	98%	—	Engineering and construction/PRC
CCTEC Engineering Co., Ltd.	PRC	Joint stock company	RMB68	96%	2%	EPC/PRC
MCC Chenggong Construction Co., Ltd.	PRC	Limited liability company	RMB331	94%	—	Engineering and construction/PRC
MCC Shijiu Construction Co., Ltd.	PRC	Limited liability company	RMB138	93%	2.5%	Engineering and construction/PRC
MCC Jingtang Construction Corporation Limited	PRC	Limited liability company	RMB480	100%	—	Engineering and construction/PRC
MCC Great Land United Consulting and Engineering Co., Ltd.	PRC	Limited liability company	RMB20	90%	—	Technical services/PRC

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(a) Subsidiaries *(Continued)*

As at 31 December 2009, the Group had direct and indirect equity interests in the following principal subsidiaries: *(Continued)*

Company Name	Place of incorporation	Type of legal entities	Issued/paid-in capital *million*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Non-listed companies-						
MCC Capital Engineering & Research Incorporation Limited	PRC	Limited liability company	RMB1,587	87%	—	EPC/PRC
MCC Hi-Tech Engineering Co., Ltd.	PRC	Limited liability company	RMB436	93%	7%	Engineering and construction/PRC
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	PRC	Limited liability company	RMB298	86%	—	EPC/PRC
Wuhan Metallurgical Construction Co., Ltd. of MCC Group	PRC	Limited liability company	RMB63	100%	—	Research/PRC
WISDRI Engineering & Research Incorporation Limited	PRC	Limited liability company	RMB1,200	85%	—	EPC/PRC
Northern Engineering & Technology Corporation, MCC	PRC	Limited liability company	RMB151	85%	—	EPC/PRC
Shanghai Baoye Construction Corp., Ltd.	PRC	Limited liability company	RMB474	89%	1%	Engineering and construction/ PRC
Huatian Engineering & Technology Corporation MCC	PRC	Limited liability company	RMB243	83%	—	EPC/PRC
BERIS Engineering and Research Corporation	PRC	Limited liability company	RMB198	55%	34%	EPC/PRC
Zhong Ye Chang Tian International Engineering Co., Ltd.	PRC	Limited liability company	RMB230	92%	—	Engineering and construction/PRC
China First Metallurgical Construction Corporation	PRC	Limited liability company	RMB300	87%	—	Engineering and construction/PRC
MCC Xiangxi Mining Co., Ltd.	PRC	Limited liability company	RMB24	50%	—	Resource development/PRC

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(a) Subsidiaries *(Continued)*

As at 31 December 2009, the Group had direct and indirect equity interests in the following principal subsidiaries: *(Continued)*

Company Name	Place of incorporation	Type of legal entities	Issued/paid-in capital *million*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Non-listed companies-						
MCC (GuangXi) Mawu expressway construction & development Co., Ltd.	PRC	Limited liability company	RMB1,281	100%	—	Infrastructure investment/PRC
CISDI Engineering Co., Ltd.	PRC	Joint stock company	RMB1,143	73%	—	EPC/PRC
China Metallurgical Construction Co., Ltd.	PRC	Limited liability company	RMB238	82%	18%	Engineering and construction/PRC
Shen Kan Engineering & Technology Corporation, MCC	PRC	Limited liability company	RMB23	70%	10%	EPC/PRC
China MCC 17 Group Co., Ltd.	PRC	Limited liability company	RMB712	67%	—	Engineering and construction/PRC
MCC Minera Sierra Grande S.A.	Argentina	Limited liability company	ARP90	70%	—	Resource development/overseas
China MCC 20 Construction Co., Ltd.	PRC	Limited liability company	RMB460	69%	—	Engineering and construction/PRC
MCC Finance Corporation Ltd.	PRC	Limited liability company	RMB1,500	86%	14%	Financial management services/PRC
MCC-JJJ Mining Development Company Limited	PRC	Limited liability company	RMB1,662	61%	—	Resources development/PRC
MCC Baosteel Technology Services Co., Ltd.	PRC	Limited liability company	RMB392	60%	23%	Maintenance services/PRC
MCC Real Estate Co., Ltd.	PRC	Limited liability company	RMB2,141	90%	10%	Property development/PRC

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(a) Subsidiaries *(Continued)*

As at 31 December 2009, the Group had direct and indirect equity interests in the following principal subsidiaries: *(Continued)*

Company Name	Place of incorporation	Type of legal entities	Issued/paid-in capital *million*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
Non-listed companies-						
China MCC International Economic and Trade Co., Ltd.	PRC	Limited liability company	RMB120	55%	45%	Trading services/PRC
MCC Communication Engineering Technology Co., Ltd.	PRC	Limited liability company	RMB120	45%	55%	Infrastructure engineering and construction/PRC
MCC Huludao Nonferrous Metals Group Co., Ltd.	PRC	Limited liability company	RMB1,661	51%	—	Non-ferrous processing/PRC
Ramu NiCo Management (MCC) Limited	Papua New Guinea	Limited liability company	—(1)	100%	—	Nico mineral mining and smelting/overseas
MCC Australia Holding Pty Ltd.	Australia	Limited liability company	AUD10	100%	—	Resources development/overseas

(1) The paid-in capital of this company is 1,000 Kina.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES *(Continued)*

(b) Associates

As at 31 December 2009, the Group had equity interests in the following principal associates (all are unlisted):

Company Name	Place of incorporation	Type of legal entities	Issued/paid-in capital *million*	Attributable equity interest Directly held	Indirectly held	Principal activities and place of operation
MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	PRC	Limited liability company	RMB250	51%	—	Equipment fabrication /PRC
Tianjin SERI Machinery Equipment Corporation Ltd.	PRC	Limited liability company	RMB130	50%	—	Equipment fabrication /PRC
New Century Hotel Co., Ltd.	PRC	Limited liability company	RMB72	60%	—	Hotel Services/PRC
Shanghai MCC Shinton Investment Co., Ltd.	PRC	Limited liability company	RMB300	33%	—	Investment Services/PRC

The English names of certain subsidiaries and associates referred to in this report represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

48. ULTIMATE HOLDING COMPANY

The Directors regard China Metallurgical Group Corporation as being the ultimate holding company of the Company, which is owned and controlled by SASAC of the State Council.

49. EVENTS AFTER THE YEAR END

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

50. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements have been approved for issue by the Board of Directors on 28 April 2010.

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, save as disclosed in A Share Prospectus and the H Share Prospectus of the Company, the Company had no material litigation or arbitration which may have material adverse effect on production and operations of the Company.

II. INSOLVENCY OR RESTRUCTURING RELATED MATTERS

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

III. SHARES ISSUED BY OTHER LISTED COMPANIES AND FINANCIAL INSTITUTIONS HELD BY THE COMPANY

1. Available-for-sale financial assets

(1) Equity interests in listed companies held by the Company

Name of investee	Initial investment cost *(RMB 'million)*	As at 31 December 2008 *(RMB 'million)*	As at 31 December 2009 *(RMB 'million)*
Bank of Communications	38	142	296
Panggang Steel & Vanadium	4	61	269
Wuhan KaiDi Electric Power Co., Ltd.	3	23	80
Fushun Special steel	20	22	37
Nanjing Steel	2	9	20
Tangshan Iron and Steel Co., Ltd.	6	10	20
Shanghai AJ Corp	2	9	19
Chongqing Department	0	9	19
Xining Special Steel	1	2	16
China CAMC Engineering Co., Ltd.	2	5	13
Ping An of China	0	5	11
Tianjin Reality Development	2	3	6
Shenzhen Fountain Corporation	0	1	2
Tande CO., LTD.	1	—	1
Chlor-alkali Chemical 600618	1	—	1
Haima Investment	0	—	1
Total	82	301	811

(2) *Equity interests in non-listed companies held by the Company*

Name of investee	**Initial investment cost** *(RMB 'million)*	**As at 31 December 2008** *(RMB 'million)*	**Shareholding percentage of the investee** *(%)*	**As at 31 December 2009** *(RMB 'million)*
Tanggang Luan County Sijiaying Iron Ore Co., Ltd.	335	335	20	335
Huludao Port Development Co., Ltd.	61	56	10.51	56
Wuhan Jiangcheng Business Co., Ltd.	49	43	15.19	43
China Nonferrous Metals Int'l Mining Co.,Ltd.	41	24	4.37	24
Shanxi Sanjin Mineral Co., Ltd.	20	20	20	20
Jidong Cement Luan County Company Limited	19	19	8.54	19
MCC Meili Laishan Paper Industry Co.,Ltd.	18	18	15	18
Chongqing International Trust Co.,Ltd.	15	15	0.03	15
Beitai Ductile Cast Iron Pipes	16	12	2.6	12
Shanghai Haoshijia Building Material and Horticulture Supermarket Company Limited.	12	12	5	12
Baosteel Group finance Company Limited	9	9	2	9
Jidong Cement Tianjin Ninghe Company Limited	6	6	13.6	6
Lixin Steel Structure Company Limited	5	5	12.05	5
Lohe Jinglo Weld Company Limited	6	5	—	5
Shenzhen Fuanda Insurance Agent Company Limited	4	4	5	4
Shuzhou Huafu Low Temperature Container Company Limited	4	4	40	4
Shanghai Sinpo Transport Co., Ltd.	21	3	40	3
Wuhan Haiteli Power Engineering Co., LTD.	4	3	13.33	3
Huixia House Company Limited	2	1	5.27	2
Nanjing Xinbai Property Co., Ltd.	2	2	10	2
Hainan Chengdu Enterprise Group	3	2	—	2
Shanghai Baosteel Construction Supervision Co., Ltd.	1	1	7.12	1
Chongqing Special Steel Company	1	1	1	1
Hefei Steel Company	1	1	0.25	1
Beijing Sunlight Henxin Trade Co., Ltd.	1	1	20	1
Inner Mongolia Xinlian Information Industry Company Limited	2	2	3	1
Raibus Security Ltd	1	2	—	—
Simak-MCC High Technology Company Ltd.	5	5	—	—
Total	664	611		604

2. **Investments in associates**

Name of invested companies	**Percentage of voting rights at the end of the period** *(%)*	**As at 31 December 2009** *(RMB 'million)*	**As at 31 December 2008** *(RMB 'million)*
Tianjin Seri Machinery Equipment Corporation Ltd.	50	337	181
New Century Hotel Company Limited	60	255	266
MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	51	150	141
Headquarters of Wuhan Institute of Technology	35	110	67
Shanghai MCC Xiangteng Investment Co., Ltd.	33	96	99
Zhuhai Kaduhaijun Real Estate Development Company Limited	50	59	59
Tianjin Tuopu Precision Steel Rolling Co., Ltd.	20	31	30
Tianjin 20 MCC Tianguan Steel Structure Company Limited	40	27	26
Shanghai Jinhai Real Estate Development Company Limited	45	23	—
Shanghai MCC Xiangqi Investment Co., Ltd.	34	17	—
Jiugang (Group) Honglian Automatic Control Company Limited	49	14	15
Shanghai Tongji-Baoye Construction Robot Co., Ltd.	46	8	7
Shanghai Zhihu Real Estate Development Company Limited	20	7	7
HATCH-CISDI International Engineering Consultant Co., LTD.	49	4	2
Ningbo Baoxin Industry Limited Company	34	4	3
Maanshan Jiahe Real Estate Company Limited	20	2	2
Shanxi Asian-American Refractories Co., Ltd.	49	2	2
Huludao Non-Ferrous Ores Trade Limited	40	2	2
Wuhan Hanwei Refining Installation Engineering Co., Ltd.	22	1	2
Phoenix Advertisement Company Limited	35	1	1
Wuhan Zhonghe Engineering Quality and Inspection Company Limited	33	1	1
Ho & Partners Engineering Company Limited	35	1	—

Name of invested companies	Percentage of voting rights at the end of the period (%)	As at 31 December 2009 (RMB 'million)	As at 31 December 2008 (RMB 'million)
Erdos City Huigu Dongfang Engineering Technology Consultant Company Limited	30	1	—
Shanghai Qiangxiang Logistics Company Limited	45	—	—
Dongguang Humen Motian Construction Building Company Limited	—	—	7
Shanghai Baoye Ready Mixed Concrete Company	30	—	3
Total		1,153	923

IV. TRANSACTIONS OF ASSETS

(1) Acquisition of Assets

Unit: 0'000 Currency: RMB

Counter parties or ultimate controlling party	Assets acquired	Date of acquisition	Price of Assets acquired	Contribution to the net profit of the listed company from the date of acquisition to the end of the year	Contribution to the net profit of the listed company from the beginning of the year to the end of the year (appropriate for the merge of enterprises under common control)	Connected transaction?	Are all the property rights of concerning assets transferred to the other party?	Are all the claims and liabilities of concerning assets transferred to the related party?	Contribution to the net profit of the listed company as a percentage of total profit (%)
Shanghai Haoqin Industrial Co., Ltd. (上海浩勤實業有限公司)	11.71% equity interest in Zhong Ye Changtian International Engineering Co., Ltd.	6 May 2009	7,670.4	—	—	No	Yes	Yes	—
Zhuhai Kadoo Investment Co., Ltd.	20% equity interest in MCC (Guangxi) Mawu expressway construction & development Co., Ltd.	27 October 2009	10,429.5	—	—	No	Yes	Yes	—
Hubei Longyuan Gypsum (Group)., Ltd.	15% equity interest in Wuhan Metallurgical Construction Co., Ltd. of MCC Group	2 November 2009	273.2	—	—	No	Yes	Yes	—
Liaoning MCC Construction Co., Ltd., Puyang City Sifang Preservative Steel Structure Engineering Co., Ltd. (濮陽市四方防腐鋼構彩板工程有限公司), Yingkou Kuanheng Engineering Co., Ltd. (營口寬恒工程有限公司) and Anshan City Changde Construction Engineering Co., Ltd. (鞍山市昌德建築工程有限公司)	3.6%, 0.48%, 0.36% and 0.48% equity interest in MCC Northeastern Construction Co., LTD. held by Liaoning MCC Construction Co., Ltd., Puyang City Sifang Preservative Steel Structure Engineering Co., Ltd. (濮陽市四方防腐鋼構彩板工程有限公司), Yingkou Kuanheng Engineering Co., Ltd. (營口寬恒工程有限公司) and Anshan City Changde Construction Engineering Co., Ltd. (鞍山市昌德建築工程有限公司) respectively	31 May 2009	4,228	—	—	No	Yes	Yes	—

(2) Disposal of Assets

There was no significant disposal of assets during the Reporting Period.

V. MATERIAL CONNECTED TRANSACTIONS OF THE COMPANY DURING THE REPORTING PERIOD

Please see "Connected Transactions" in page 75 this report.

VI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1. Trusteeship, contracting and leasing arrangement which contributed over 10% (inclusive of 10%) to the total profit of the Company during the Reporting Period are as follows

(1) Trusteeship

The Company did not enter into any significant trusteeship during the Reporting Period.

(2) Contracting

The Company did not enter into any significant contracting during the Reporting Period.

(3) Leasing arrangement

The Company did not enter into any significant leasing arrangement during the Reporting Period.

2. Guarantee

Unit: RMB'000 Currency: RMB

External guarantees provided by the Company (excluding guarantee to controlled subsidiaries)

Guarantor	Relationship between guarantor and the Company	Guaranteed party	Amount of guarantee	Date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Whether fully fulfilled	Whether overdue	Overdue amount	Whether any counter guarantee available	Whether related party guarantee	Related party relationship
China 22 MCC Construction Corporation Ltd.	Wholly-owned Subsidiaries	Xi'an Sanjiao Aviation Technology Co., Ltd.	125,000	9 September 2008	9 September 2008	31 December 2014	Under joint and several liabilities	No	No	–	Yes	No	–
China 22 MCC Construction Corporation Ltd.	Wholly-owned Subsidiaries	Tanggang Luan County Sijiaying Iron Ore Co., Ltd.	130,000	3 September 2007	3 September 2007	21 December 2015	Under joint and several liabilities	No	No	–	Yes	No	–
China 22 MCC Construction Corporation Ltd.	Wholly-owned Subsidiaries	Tanggang Luan County Sijiaying Iron Ore Co., Ltd.	60,000	10 October 2007	10 October 2007	30 August 2014	Under joint and several liabilities	No	No	–	No	No	–
China 22 MCC Construction Corporation Ltd.	Wholly-owned Subsidiaries	Tanggang Luan County Sijiaying Iron Ore Co., Ltd.	40,000	23 November 2007	23 November 2007	22 November 2010	Under joint and several liabilities	No	No	–	No	No	–
China 22 MCC Construction Corporation Ltd.	Wholly-owned Subsidiaries	Tanggang Luan County Sijiaying Iron Ore Co., Ltd.	20,580	7 September 2007	7 September 2007	6 September 2012	Under joint and several liabilities	No	No	–	No	No	–
Metallurgical Corporation of China ltd.	the Company's headquarter	China Nonferrous Metals Mining Group Co., Ltd.	129,736	16 May 2007	16 May 2007	15 May 2017	Under joint and several liabilities	No	No	–	Yes	No	–
Metallurgical Corporation of China ltd.	the Company's headquarter	China Nonferrous Metals Mining Group Co., Ltd.	141,900	16 May 2007	16 May 2007	15 May 2017	Under joint and several liabilities	No	No	–	Yes	No	–

Unit: RMB'000 Currency: RMB

External guarantees provided by the Company (excluding guarantee to controlled subsidiaries) *(continued)*

Guarantor	Relationship between guarantor and the Company	Guaranteed party	Amount of guarantee	Date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Whether fully fulfilled	Whether overdue	Overdue amount	Whether any counter guarantee available	Whether related party guarantee	Related party relationship
Metallurgical Corporation of China ltd.	the Company's headquarter	China Nonferrous Metals Mining Group Co., Ltd.	506,100	16 May 2007	16 May 2007	15 May 2017	Under joint and several liabilities	No	No	—	Yes	No	—
Metallurgical Corporation of China ltd.	the Company's headquarters	China International Water and Electric Corp.	5,181	18 December 2007	18 December 2007	19 April 2010	Under joint and several liabilities	No	No	—	Yes	No	—
MCC Jingtang Construction Corporation Limited	Wholly-owned Subsidiaries	Beijing Heng Xin Feng Commercial and Trade Co., Ltd.	200,000	4 March 2009	4 March 2009	4 March 2010	Under joint and several liabilities	No	No	—	Yes	No	—
Tianjin 20 MCC Construction Corporation Ltd.	Controlled subsidiary	Tianjin Tiangang Steel Group Co., Ltd.	75,000	18 September 2009	18 September 2009	17 September 2010	Under joint and several liabilities	No	No	—	No	No	—
MCC Capital Engineering & Research Incorporation Limited	Controlled subsidiary	MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	50,000	26 November 2008	26 November 2008	26 November 2010	Under joint and several liabilities	No	No	—	No	Yes	Associates
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Jinzhou Jincheng Papermaking Co., Ltd.	30,000	19 November 2003	19 November 2003	17 August 2004	Under joint and several liabilities	No	Yes	30,000	No	No	—
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Kezhou Mineral Resources Development Co., Ltd.	24,000	17 January 2007	17 January 2007	16 January 2011	Under joint and several liabilities	No	No	—	No	No	—
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Jin Hua Group Chlor-Alkali Co., Ltd.	5,000	11 March 2009	11 March 2009	11 September 2009	Under joint and several liabilities	No	Yes	5,000	Yes	No	—
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Jin Hua Group Chlor-Alkali Co., Ltd.	10,000	16 March 2009	16 March 2009	16 September 2009	Under joint and several liabilities	No	Yes	10,000	Yes	No	—
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Jin Hua Group Chlor-Alkali Co., Ltd.	10,000	13 April 2009	13 April 2009	13 October 2009	Under joint and several liabilities	No	Yes	10,000	Yes	No	—
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Jin Hua Group Chlor-Alkali Co., Ltd.	4,500	17 April 2009	17 April 2009	16 October 2009	Under joint and several liabilities	No	Yes	4,500	Yes	No	—
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Jin Hua Group Chlor-Alkali Co., Ltd.	8,000	14 May 2009	14 May 2009	13 November 2009	Under joint and several liabilities	No	Yes	8,000	Yes	No	—
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Jin Hua Group Chlor-Alkali Co., Ltd.	10,000	26 May 2009	26 May 2009	26 November 2009	Under joint and several liabilities	No	Yes	10,000	Yes	No	—
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Jin Hua Group Chlor-Alkali Co., Ltd.	10,500	31 August 2009	31 August 2009	22 February 2010	Under joint and several liabilities	No	No	—	Yes	No	—
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Jin Hua Group Chlor-Alkali Co., Ltd.	14,000	31 August 2009	31 August 2009	25 February 2010	Under joint and several liabilities	No	No	—	Yes	No	—

Unit: RMB'000 Currency: RMB

External guarantees provided by the Company (excluding guarantee to controlled subsidiaries) *(continued)*

Guarantor	Relationship between guarantor and the Company	Guaranteed party	Amount of guarantee	Date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Whether fully fulfilled	Whether overdue	Overdue amount	Whether any counter guarantee available	Whether related party guarantee	Related party relationship
Huludao Zinc Industry Co., Ltd.	Controlled subsidiary	Jin Hua Group Chlor-Alkali Co., Ltd.	8,000	24 June 2009	24 June 2009	23 June 2010	Under joint and several liabilities	No	No	—	Yes	No	—
North China Metallurgical Construction Co., Ltd.	Wholly-owned Subsidiaries	Handan Iron and Steel Group Co., LTD.	28,761	19 December 2003	19 December 2003	19 December 2015	Under joint and several liabilities	No	No	—	No	No	—

Total amount of guarantee occurred during the Reporting Period (excluding guarantee to controlled subsidiaries)	355,000
Total amount of outstanding guarantee as at the end of the Reporting Period (A) (excluding guarantee to controlled subsidiaries)	1,646,258
Guarantee provided by the Company to its controlled subsidiaries*	
Total amount of guarantee occurred by the Company to its subsidiaries during the Reporting Period	4,708,030
Balance of guarantee provided by the Company to its subsidiaries at the end of the Reporting Period (B)	26,427,000
Total guarantee provided by the Company (including guarantee to controlled subsidiaries)	
Total amount of guarantee (A+B)	28,073,258
Total amount of guarantee as a percentage of the Company's net assets *(%)*	64.25
Including:	
Amount of guarantee provided to shareholders, the de facto controller and its related parties (C)	
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70% (D)	9,027,918
The excess of total amount of guarantee over 50% of the net assets (E)	0
Total amount of above 3 guarantees (C+D+E)	9,027,918

* Guarantees provided among subsidiaries are not included.

3. Entrusted Asset Management

During the Reporting Period, the Company did not have any assets under entrusted management.

4. Other Material Contracts

Material contracts entered into during the Reporting Period

Number	Date of contract	Summary	Contractual amounts (RMB in million)	Parties	Term
Contracts of domestic projects					
1	February 2009	258mm seamless pipe hot continuous rolling project of Jiangsu Hualing Tin Steel and Special Steel Company Limited	1,198	CISDI Engineering Co., Ltd.	47 months
2	March 2009	700 sets main stacks of SL1500 fans	1,117 (not yet started)	MCC Capital Engineering & Research Incorporation Limited	33 months
3	March 2009	Social welfare housing project of Helian Gongfang (河聯工房) (at the exit of eastern Kaiping) of Tangshan, Hebei Province	2,157	China MCC 22 Group Co., Ltd.	16 months
4	April 2009	Lead and zinc smelting project (60,000t/a of raw lead, 80,000t/a of electrolytic lead, 140,000t/a of electrolytic zinc) of Hulunbuir Chihong Mining Limited in Inner Mongolia	1,583	China Enfi Engineering Co., Ltd.	20 months
5	April 2009	Resettlement housing projects in Western New City Area (西部新城起步區) in Tanggu District, Tianjin	1,580	MCC Tiangong Construction Corporation Limited	20 months
6	April 2009	Social welfare housing and economically affordable housing projects in Heping District of Shenyang, Liaoning Province	3,863	China MCC 22 Group Co., Ltd.	28 months
7	May 2009	Reconstruction and expansion project of Changde Avenue (常德大道) in Changde, Hunan Province	1,088	China MCC 20 Construction Co., Ltd.	24 months
8	May 2009	Social welfare housing project of Original Coking Plant District (原焦化廠區) in Tangshan, Hebei Province	1,089	China MCC 22 Group Co., Ltd.	16 months
9	June 2009	Project concerning the Hankou section of the Second Round Line (二環線) of Wuhan	3,506	China First Metallurgical Construction Corporation	22 months

Number	Date of contract	Summary	Contractual amounts *(RMB in million)*	Parties	Term
10	July 2009	Lianhu Demolishment and Settlement Area (練湖拆遷安置區) (demolishment and settlement houses) in Danyang City of Jiangsu Province	1,000	China MCC 5 Group Co., Ltd. (中國五冶集團有限公司) (The old name, MCC Chenggong Construction Co., Ltd.)	31 months
11	August 2009	Capacity Replacement (Phase I) Technical Renovation Project of Anhui Changjiang Steel Co., Ltd.(安徽長江鋼鐵股份有限公司)(2*1,080m³ blast furnace, steelmaking along with oxygen production)	1,003	Huatian Engineering & Technology Corporation, MCC	12 months
12	August 2009	1,800m³ blast furnace construction project of Shaanxi Longmen Steel Co., Ltd. (陝西龍門鋼鐵有限公司)	1,036	WISDRI Engineering & Research Incorporation limited	10 months
13	December 2009	Old Town (Phase I) (舊城一期) reconstruction project in Songshan District, Chifeng City, Inner Mongolia	1,053	MCC Oriental Holding Co., Ltd. (The old name, BERIS Engineering and Research Corporation)	36 - 60 months
Contracts of overseas projects					
1	January 2009	Western Australian SINO iron ore mine project (processing plant with a scale of 12 million tons/ iron ore concentrates per year, pellet plant and ancillary with a scale of 6 million tons/year)	3,460 (USD462 million)	China MCC 20 Construction Co., Ltd.	42 months

Number	Date of contract	Summary	Contractual amounts *(RMB in million)*	Parties	Term
2	August 2009	Iron and steel project no. 2 of Alpha Company(阿爾法公司) in Iran (1.20 million tons of agglomeration plant, 1 million tons of iron-making plant with blast furnace, 1 million tons of steel-making plant and 1 million tons of billet continuous casting workshop	4,383 (Euro449 million, pending to come into effect)	MCC Capital Engineering & Research Incorporation Limited	42 months
3	December 2009	Guanglian Vietnam large joint steel plant project(廣聯越南大型聯合鋼廠項目)(4,350m^3 blast furnace, 230t converter furnace, 2 flow 1,300mm slab caster and the main equipment of bar-rolling, wire-rolling and plate-rolling mills)	9,574 (USD1,408 million)	CISDI Engineering Co., Ltd.	36 months
4	December 2009	Coking and refractory project of Guanglian Vietnam large joint steel plant project(廣聯越南大型聯合鋼廠項目焦化耐火項目)(with annual coking capacity of 3.20 million tons and three 600 tons rotary kilns)	2,790 (USD423 million)	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	26 months
5	December 2009	2x500m^2 sintering machine project of Guanglian Vietnam large joint steel plant (廣聯越南大型聯合鋼廠)	1,465 (USD215 million)	Zhong Ye Chang Tian International Engineering Co., Ltd.	26 months
6	December 2009	Project of Venezuela Mining Company (委內瑞拉礦業公司) to produce 3 million tons of pellets annually	1,130 (USD166 million)	MCC International Incorporation Ltd. (中冶國際工程技術有限公司)	26 months

VII. UNDERTAKINGS OF THE COMPANY OR SHAREHOLDERS HOLDING 5% OF THE EQUITY INTERESTS COMMENCING OR SUBSISTING DURING THE REPORTING PERIOD

1. The Parent, the Company's controlling shareholder, made the following undertakings in the prospectus:

(1) Undertaking for share lock-up: within thirty-six months from the date of listing of the Company's A Shares, no shares issued before the initial public offering of the Company, whether directly or indirectly held by it, shall be transferred or entrusted to others for management or repurchased by the Company.

(2) Undertaking for disposal of MCC Hengtong Cold Rolling Technology Co., Ltd.: within twenty-four months from the date of listing the Company's overseas and domestic shares in the Shanghai Stock Exchange and Hong Kong Stock Exchange, MCC Hengtong Cold Rolling Technology Co., Ltd. shall be spun off from the Parent Group by way of, inter alia, transfer of equity interest in MCC Hetong Cold Rolling Technology Co., Ltd..

(3) Non-competition

The Parent, the Company's controlling shareholder, complied with this undertakings during the Reporting Period.

2. Lock-up undertakings given by Baosteel Group, the Company's promoter, in the prospectus in respect of shares held in the Company: within twelve months from the date of listing of the Company's A Shares, no shares of the Company, whether directly or indirectly held by it, shall be transferred or entrusted to others for management or repurchased by the Company.

Baosteel Group, shareholder of the Company, fully complied with aforesaid undertakings during the Reporting Period.

3. Undertakings made by the Parent in the Reorganization Agreement in respect of building ownership and land use rights: With respect to the buildings and lands we have not obtained proper rights certificates, it will make best efforts to apply for relevant rights certificates from relevant authorities within 6 months from the date of the Company's establishment and be responsible for all costs, expenses and claims arising therefrom. With respect to buildings and lands leased to the Company by the Parent and/or enterprises not incorporated into the Company through the Parent Reorganisation, in case of any disputes as to the rights to such buildings and lands, the Parent shall be responsible for resolving any conflicts, assume all legal responsibilities, and bear all costs, expenses and claims arising from or relating to any such disputes.

During the Reporting Period, the Parent and/or lessors of the Company's leased buildings and lands were in the process of actively applying for relevant ownership certificates for such buildings and lands without proper rights certificates.

4. In July 2009, having fully considered various factors including the Company's various basis, operation capacity, market needs and national macro economic policies in the Reporting Period and in light of the Company's annual business development and investment plan, the Company forecasted that the net profit attributable to equity holders of the Company for 2009 is expected to be RMB4,060 million. In 2009, the Company successfully achieved the forecasted profit and record a net profit attributable to equity holders of the Company of RMB4,465 million.

VIII. THE PENALTIES AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND EFFECTIVE CONTROLLING PERSON

During the Reporting Period, none of the Company, its Directors, Supervisors, senior management, shareholders and effective controlling person was subject to checks by CSRC, administrative penalties, criticisms by notice, and public censure of stock exchange.

FINANCIAL HIGHLIGHTS PREPARED UNDER IFRS

Consolidated Operating Results

	2009 *(RMB million)*	2008 *(RMB million)*	2007 *(RMB million)*	2006 *(RMB million)*
Revenue	**165,018**	157,887	125,056	91,706
Cost of sales	**(149,117)**	(145,595)	(112,085)	(82,103)
Gross profit	**15,901**	12,292	12,971	9,603
Selling and marketing expenses	**(1,037)**	(928)	(709)	(530)
Administrative expenses	**(7,122)**	(6,566)	(5,786)	(5,072)
Other income	**955**	1,064	587	347
Other gains — net	**38**	525	1,390	126
Other expenses	**(135)**	(85)	(98)	(64)
Operating profit	**8,600**	6,302	8,355	4,410
Finance income	**712**	548	382	452
Finance costs	**(2,615)**	(3,005)	(1,317)	(1,030)
Share of profits of associates	**85**	120	70	26
Profit before income tax	**6,782**	3,965	7,490	3,858
Income tax expense	**(1,544)**	(840)	(1,698)	(651)
Profit for the year	**5,238**	3,125	5,792	3,207
Attributable to:				
Equity holders of the Company	**4,465**	3,150	3,855	1,920
Non-controlling interests	**773**	(25)	1,937	1,287
Earnings per share for profit attributable to the equity holders of the Company				
— Basic earnings per share *(RMB)*	**0.30**	0.24	0.30	0.15
— Diluted earnings per share *(RMB)*	**0.30**	0.24	0.30	0.15
Dividends	**1,875**	256	34	—

The consolidated total assets and total liabilities of the Company as at 31 December 2006, 2007, 2008 and 2009 are summarised as below:

	As at 31 December			
	2009	2008	2007	2006
	RMB million	*RMB million*	*RMB million*	*RMB million*
Total assets	**228,273**	170,918	140,723	90,643
Total liabilities	**184,581**	163,290	134,248	88,389
Net assets	**43,692**	7,628	6,475	2,254

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

DEFINITIONS

Ansteel	Anshan Iron and Steel Group Corporation and, except where the context otherwise requires, all of its associates
Articles of Association	Articles of Association of the Company
A Shares	the Domestic Shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
A Share Offering	the offering by the Company of the A Shares in the PRC, which was completed on 21 September 2009
A Share Prospectus	the prospectus of the Company in relation to the A Share Offering dated 18 September 2009
Baosteel or Baosteel Group	Baosteel Group Corporation and, except where the context otherwise requires, all of its associates
Board	the board of Directors of the Company
China or PRC	the People's Republic of China, excluding, for purposes of this document only, Hong Kong, Macao and Taiwan
controlling shareholder	has the meaning ascribed thereto under the Hong Kong Listing Rules
Corporate Governance Code	the Code on Corporate Governance Practice set out in Appendix 14 to the Hong Kong Listing Rules
CSRC	the China Securities Regulatory Commission
Director(s)	the director(s) of the Company, including all executive, non-executive and independent non-executive Directors
Global Offering or H Share Offering	Hong Kong public offering and international offering
H Shares	the overseas listed foreign invested shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in HK dollars
H Shares Prospectus	Prospectus of the Company in relation to the offering of the H Shares dated 11 September 2009

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

HK$ or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong or HK	the Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards promulgated by the International Accounting Standards Board, which include the International Accounting Standards and their interpretations
independent Director or independent non-executive Director	a director of the Company 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 judgement over the Company's affairs
MCC, our Company, the Company, we or us	Metallurgical Corporation of China Ltd., a joint stock limited company with limited liability incorporated under the laws of the PRC on 1 December 2008 and, except where the context otherwise requires, all of its subsidiaries or, where the context refers to any time prior to its incorporation, the businesses which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it pursuant to the Reorganization
Ministry of Communications	the former Ministry of Communications of the PRC, the predecessor of the Ministry of Transport
Ministry of Construction	the former Ministry of Construction of the PRC, the predecessor of the MOHURD, formerly the Ministry of Construction
MOF	the Ministry of Finance of the PRC
MOHURD	the Ministry of Housing and Urban-Rural Development of the PRC
Nanjing Hexi	Nanjing Hexi New District State-owned Asset Management Holding (Group) Co., Ltd. and, except where the context otherwise requires, all of its associates
NDRC	the National Development and Reform Commission of the PRC
Pansteel	Panzhihua Iron & Steel (Group) Corporation and, except where the context otherwise requires, all of its associates
Parent	China Metallurgical Group Corporation

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

Parent Group	China Metallurgical Group Corporation and its subsidiaries
Parent Reorganization	the reorganization of the Parent, the particulars of which are described in "History and Reorganization" and Appendix IX "Statutory and General Information -Reorganization" in H Share Prospectus
PRC GAAP	the PRC Accounting Standard and Accounting Regulation for Business Enterprises and its supplementary regulations
Renminbi or RMB	Renminbi Yuan, the lawful currency of the PRC
Reorganization Agreement	the agreement dated 5 December 2008 entered into between the Parent and the Company relating to the Parent Reorganization
Reporting Period or The Year	From 1 January 2009 to 31 December 2009
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
SFO or Securities and Futures Ordinance	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shanghai Stock Exchange	the Shanghai Stock Exchange
Shareholder	holders of shares of the Company
State Council	the State Council of the PRC
Supervisor	the supervisor(s) of the Company
Supervisory Committee	the Supervisory Committee of the Company
Tangsteel	Tangshan Iron and Steel Co., Ltd. and, except where the context otherwise requires, all of its associates
US$ or U.S. dollars	United States dollars, the lawful currency of the United States
Wusteel	Wuhan Iron and Steel (Group) Corporation and, except where the context otherwise requires, all of its associates

GLOSSARY

BOT	Build-Operate-Transfer, a business model in which the proprietor grants the rights to a contracted enterprise by concession agreement to undertake the financing, design, construction, operation and maintenance of a project (mainly infrastructure projects), which enterprise can charge users a fee during the concession period to cover its costs of investment, operations and maintenance as well as reasonable returns, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor
BT	Build-Transfer, a business model in which the contractor undertakes the financing of construction expenditures and transfers the project back to the proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in instalments pursuant to relevant agreements
exploration	activity to prove the location, volume and quality of a mineral occurrence
crude steel	steel product formed upon the earliest stage of solidification, including intermediary products of steel ingots and continuously cast steel slabs
deposit or mineral deposit	a body of mineralization containing a sufficient average grade of metal or metals to warrant further exploration and/or development expenditure
design	application of engineering theories and techno-economic approaches, based on the prevailing technical standards, for conducting all-round design (including requisite non-standardized equipment design) and techno-economic analysis on newly constructed, expansion and reconstruction projects in respect of their technical process, land construction, civil works and environmental works; provision of design papers and blueprints as the basis for construction work
electric furnace	a furnace that is generally used for smelting, heating or heat-treating steel, steel alloys and non-ferrous metal with high-temperature heat generated by an electric arc
EP	Design-procurement mode in the field of engineering and construction
EPC engineering, procurement and construction, or turnkey contracting	commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be responsible for the quality, safety, timely delivery and cost of the project
grade, grading or ore grade	any physical or chemical measurement of the characteristics of the material of interest in samples or product. The unit of measurement should be stated when figures are reported

iron making	the process to extract metallic iron from iron-containing minerals (mainly ferriferous oxide), including the blast furnace process, direct reduction process, smelt reduction process and plasma process
Luban Award	the PRC Construction and Engineering Luban Award (National Excellent Projects), which is the highest award for outstanding quality in engineering work in the construction industry in the PRC under two categories, namely, main contractor and key participants, and is assessed by the China Construction Industry Association annually
mineral resources	a concentration or occurrence of a material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity such that there are reasonable prospects for eventual economic extraction
non-ferrous metals	refers to the group of metals other than ferrous metals (iron, manganese and chromium)
ore	the portion of a reserve from which a metal or valuable metal can be extracted profitably under current or immediately foreseeable economic conditions
pelletizing	an important process in the steel making industry to convert ore powder into large pieces whereby ore powder is combined with water and adhesives to produce spheres of appropriate adhesiveness and strength, which are then converted into pellets by drying and thermal treatment followed by oxidized sintering
pig iron	the iron material extracted from the sintered ores or other iron ores in the iron smelting process
Science and Technology Advancement Award	this award recognizes achievements in various industries involving the development of new products and technologies, promotion of new technology applications, production of advanced technology, reform and enhancement of corporate technology, advancement of technology, key construction work, introduction of key equipment research and development, absorption of new foreign technology, or in-house development of innovative technology at the national and provincial levels; recipients of national Science and Technology Advancement Awards are determined by the relevant departments of the State Council annually, while recipients of provincial Science and Technology Advancement Awards are determined by the Departments of Science and Technology in the respective provinces
shaft	a vertical excavation from the surface to provide access to an underground mine
sintering	a process whereby iron-bearing materials in the form of powder or grains are evenly mixed with a solvent and burned in a sintering machine to produce ores in certain shapes; the sinter so produced is one of the major raw materials used for iron making in a blast furnace

smelting	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed in ores
social welfare housing	social welfare housing provided by the government to medium- and low-income households with certain restrictions on the eligibility of applicants, construction standards, selling price or rent standards, including, but not limited to, dually restricted commodity housing (with restrictions on price and size), economically affordable housing, policy-based rental housing and low-rent housing
steel making	the process whereby impurities in pig iron and scrap steel are oxidized and removed to an appropriate degree, followed by the addition of iron alloys, to produce a material with appropriate amounts of carbon and constituent elements of the alloys
steel rolling	a process whereby a rolling mill is used to turn billets and slabs into steel products of various kinds
steel structure	a structure composed of various steel materials connected with each other through welding or bolted joints, which is widely used in industry, civil construction, railways, highways, bridges, power station structural frames, power transmission tower structures, television broadcasting towers, offshore oil platforms, gas pipes, urban infrastructure, national defense construction, and other areas
survey	survey, explore, test and undertake overall assessment on landscape, geology and water for planning, design, implementation, operations and integrated management of a project; provide feasibility assessment and required information on the exploration results for construction; and carry out exploration, design, management and monitoring activities in rock engineering

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