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METALLURGICAL CORPORATION OF CHINA LTD. *

中國冶金科工股份有限公司

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

(Stock Code: 1618)

2015 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

The Board of Metallurgical Corporation of China Ltd.* (the “Company”) hereby announces the audited results of the Company and its subsidiaries for the year ended 31 December 2015. The highlights are as follows:

- Operating revenue amounted to RMB217,324 million, representing a year-on-year increase of RMB1,538 million or 0.71% from RMB215,786 million in 2014.
- Operating profit amounted to RMB5,939 million, representing a year-on-year increase of RMB649 million or 12.27% from RMB5,290 million in 2014.
- Net profit amounted to RMB4,949 million, representing a year-on-year increase of RMB608 million or 14.01% from RMB4,341 million in 2014.
- Net profit attributable to shareholders of the listed company amounted to RMB4,802 million, representing a year-on-year increase of RMB837 million or 21.11% from RMB3,965 million in 2014.
- Basic earnings per share amounted to RMB0.24, and the basic earnings per share of 2014 amounted to RMB0.21.
- As at 31 December 2015, total assets amounted to RMB343,763 million, representing an increase of RMB17,785 million or 5.46% from RMB325,978 million as at 31 December 2014.
- As at 31 December 2015, total equity amounted to RMB71,155 million, representing an increase of RMB13,130 million or 22.63% from RMB58,025 million as at 31 December 2014.
- Newly signed contracts were worth RMB401,586 million, representing an increase of RMB71,792 million or 21.77% from RMB329,794 million in 2014.

I. CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

The year of 2015 was a year when MCC hit new record highs in its operating results, continued to optimize its business structure, and successfully achieved a milestone for the objective of “focusing on the core businesses in building a better MCC” (聚焦中冶主業、建設美好中冶).

During the Reporting Period, the value of newly signed contracts of the Company reached RMB401,586 million and surpassed RMB400 billion, representing a year-on-year increase of 21.77%; the operating revenue totalled RMB217,324 million, representing a year-on-year increase of 0.71%; whilst its profit amounted to RMB7,143 million, representing a year-on-year increase of 6.53%, and the net profit attributable to shareholders of the Company amounted to RMB4,802 million, representing a year-on-year increase of 21.11%. With the continuous optimization of its business structure, the value of non-metallurgical engineering contracts of the Company accounted for 83.06% of the aggregate value of its contract, and the value of newly signed overseas contracts represented a year-on-year increase of 1.4 times. The Company had a total of 16,241 valid patents, ranking the 4th among state-owned enterprises. It also had 17 technological and innovative platforms and key laboratories at the national level, and obtained 54 national science and technology awards, which helped to speed up the formation of new growth points and competitive advantages, and thus enhanced the Company's brand name and international influence significantly. MCC was also named as one of the top 10 “Companies with the Best Investment Return” (最佳投資回報公司) by Fortune and the “Listed Company with the Best Corporate Governance” (最佳公司治理上市公司) by China Securities Golden Bauhinia (中國證券金紫荊). The MCC Group, with MCC as its core asset, moved up to the 326th in the Top 500 Global Enterprises (世界企業500強), and ranked the 10 in the Top 250 Global Contractors, which were selected by ENR (《工程新聞記錄》) in the United States.

The outstanding performance and sustained and stable development of the Company is attributed to the efforts of all MCC staff in adhering to the guideline of “focusing on the core businesses in building a better MCC” (聚焦中冶主業、建設美好中冶), energetically exercising the MCC spirit of being down-to-earth and pragmatic, focusing on the principle of “without wasting one day, without being lazy for one day” (一天也不耽誤、一天也不懈怠), firmly pursuing the path for the development of leading technologies, and promoting business transformation in an unfavorable environment. The performance and services of the Company was also attributable to the strong support of all shareholders and our investors.

The year of 2016 marks the beginning of the “Thirteenth Five-Year Plan” of the PRC, and is also the start of the “Fourth Five-Year Plan” of MCC. The State is currently at the critical period of speedy transformation, structural adjustment and dynamic change. The development trend of the iron and steel industry towards the reduction of production, greening, differentiation, intellectualization and internationalization will bring about numerous market opportunities involving high technology, high added value and sustained benefit that are relevant to renovation and upgrade works, energy saving and environmental protection, high-end consultation and intelligent operating services; This will be beneficial for the Company to participate in the operation of the international production capacity and equipment manufacture on a larger scale and at a higher level. The regional development of “Four Major Segments”, the construction of “One Belt, One Road” (一帶一路), the synergistic development of the Beijing-Tianjin-Hebei Region, the construction of Yangtze River Economic Zone, the establishment of “Three Significant Strategies”, as well as further advancement of the new type of urbanization, will boost effective investments in infrastructure and fundamental construction, especially the market demands for energy saving and environmental protection, green ecology, urban comprehensive underground pipelines, sponge cities, intelligent cities and beautiful villages, which have huge development potential. All these provide MCC with strong motivation, favorable opportunities and timing exactly for its strong development by making better use of its 60-odd years of sound and extensive experience in technology, as well as a sound market foundation for continuous and stable development of business of the Company, including municipal transportation infrastructure, comprehensive urban exploitation, premium property construction and environmental engineering & alternative energy, and feature theme parks.

With new opportunities and new starting points ahead, MCC will firmly pursue the path for the development of advanced technologies according to its new strategic position of “building up a national team and being the main force for fundamental construction and a leader in the new emerging industries for MCC” (冶金建設國家隊、基本建設生力軍、新興產業領跑者). By leveraging the driving forces of technological development, strong capital strength and robust business models to make breakthroughs in the market, the Company will achieve both corporate scale and benefit, improve its own quality while enhancing its efficiency, and continue to write a wonderful chapter of “building a better MCC” (建設美好中冶), thus constantly creating a greater value for our investors.

II. BUSINESS OVERVIEW

(I) Engineering Contracting Business

1. *Industry Overview*

In 2015, the Chinese economy maintained a good pace as a whole, with a GDP of RMB67,670.8 billion, representing a growth of 6.9% as compared with 2014. The nationwide investment maintained a relatively rapid growth with an improved investment structure. The total fixed-assets investment for the year amounted to RMB56,200 billion, representing an increase of 9.8% as compared with last year or a real increase of 11.8% after deducting price factor. The total output value of the building industry of the PRC in 2015 amounted to RMB18,075.7 billion representing an increase of 2.3%. The value added of the construction industry amounted to RMB4,645.6 billion, representing an increase of 6.8% as compared with the same period last year and maintained a growth trend.

In relation to the market of metallurgical engineering, in 2015, under restrictions to curb the increase in additional production capacity of the iron and steel industry by national macro-control policy, iron and steel companies took positive measures to step up adjustments to industrial structure, intensify their work on energy conservation and emission reduction and actively phase out outdated capacity. The fixed-asset investment of ferrous metal metallurgy and the rolling processing industry throughout the country in 2015 amounted to RMB425.719 billion, representing a year-on-year decrease of 11.0%. As for non-ferrous metallurgy in 2015, the nationwide fixed-asset investment of the non-ferrous metal mining and processing industry was RMB158.818 billion, representing a year-on-year decline of 2.3%; while the fixed-asset investment of the smelting and rolling processing industry for nonferrous metals was RMB557.904 billion, representing a year-on-year decline of 4.0%.

In relation to the market of non-metallurgical engineering contracting, as the state has strengthened the reform of supply side markets, national strategies and guidelines including the construction of “One Belt, One Road”, the synergetic development of the Beijing-Tianjin-Hebei Region (京津冀協同發展) and the construction of the Yangtze River Economic Belt, this has encouraged a new round of investment in the PRC and became a driver for the growth of economy. The progress of urbanization was accelerated and the house construction and infrastructure construction markets developed at a continuous and rapid pace. During the year of 2015, the investment of property development in China amounted to RMB9,597.9 billion, representing a year-on-year growth of 1%. Gross floor area under construction by property developers was 7,356.93 million square meters (“sq.m.”),

representing a year-on-year growth of 1.3%; gross floor area of new homes construction was 1,544.54 million sq.m., representing a year-on-year decrease of 14.0%. In 2015, investment in infrastructure construction (excluding electric power construction) in China amounted to RMB10,127.1 billion, representing a year-on-year growth of 17.2%.

2. *The Operating Results of the Segments*

In 2015, under the prolonged global downturn of the iron and steel market, overcapacity of domestic iron and steel and the pressure brought by the economic downturn, the Company took on the responsibility of improving the competitiveness of the Chinese steel and iron industry by helping to modernize the industry and at the same time, elevate MCC to a higher standard of development. As a national innovative enterprise, through the implementation of the top-level design plan and strategies by a national team of advisers in metallurgical construction, and through its 8 major steel units, and 19 business units, developed a formidable design and construction expertise and strength in this area. The Company pushed forward the integration of internal resources according to the world's first-class standard. With the priority to ensure the position of the national team of metallurgical construction, MCC is committed to creating a competent and strongest lineup, continuously increasing the competitiveness and influence of the Company and maintain the absolute leading position in the domestic traditional metallurgical market by its top-notch core techniques, constant ability of reform and innovation and irreplaceable integration advantage in the entire industrial chain of metallurgical construction.

The demand for the “multiplier” and “accelerator” of the urban infrastructure constantly increased, leading to the advent of trillion-dollar level investments in the development of relevant industries. In 2015, the Company liberated its mindsets, kept up with the times, proposed “building the updated version of ‘Four Beams and Eight Pillars’ business system, recreate ‘a better MCC’”, clarified the new market and product position, adjusted its organizational structure and operating strategies, concentrated its advantageous resources, endeavored to promote reformation in its operating methods and established an interrelated and complementary “Four Beams and Eight Pillars” integrated business system, with significant operational synergy taking engineering contracting, equipment manufacture, property development and resource development as “beams” and taking metallurgical engineering, premium property construction, mine construction and development, mid- and high-end property, transport and municipal infrastructure, core technical equipment and MCC steel structure, environmental engineering & alternative energy, special engineering as “pillars”. The Company carried out strategies and development surrounding the three major strategies and four major zones of the state, adequately utilized the enormous composite force of “three forces in one” comprising the headquarters of the Company, subsidiaries and regional branches, strengthened the design

and operation of macro environment, heavyweight clients and mega projects, captured key opportunities for the new round of investments in the state, and occupied the dominant position of the market and the Company successfully realised the transformation from a metallurgical construction service provider to an expert of overall planning, design and construction for urban construction. Other construction fields including premium property construction, transport and municipal infrastructure, environmental engineering & alternative energy, special engineering, underground comprehensive pipeline corridors and smart cities became new predominant fields and mainstay industries of the Company, which possessed predominance of unique design for construction technique and the Company successively completed series of significant projects within and outside the state with industry influences. For the last two years, newly signed contracts for non-metallurgical engineering steadily maintained 80% or above of the new contracts in the major business of the Company evidencing the plentiful harvest of the structural adjustment to construction products and transformation and upgrade which further enhanced the capability to withstand market risks. During the Reporting Period, the new construction contracts of the Company amounted to RMB359.269 billion, exceeding RMB1 billion of more than 57 substantial construction projects, among which, new metallurgical engineering contracts amounted to RMB60.858 billion and non-metallurgical engineering contracts amounted to RMB298.411 billion.

The overall operating results of the engineering contracting business in 2015

Unit: RMB'000

	2015	% of the total	2014	Year-on-year growth
Segment revenue	186,304,107	84.42%	178,416,066	4.42% Increased by 0.37 percentage point
Gross margin (%)	<u>12.54</u>	<u>–</u>	<u>12.17</u>	<u>point</u>

Note: The segment revenue and gross margin above are before inter-segment eliminations.

Metallurgical Engineering

In 2015, along new normal in transformation and development of Chinese economy, the global steel and iron industry entered an in-depth adjustment period for the third time in history which, from the past international experience, will be a lengthy process. For a period of time in the future, the steel and iron industry of the PRC will be focused on “elimination of overcapacity, change of approach, optimization of structure, upgrade of quality and enhancement of efficiency”. Not only it is a new challenge for the development of steel and iron industry, but also a new opportunity for the steel and iron industry and there will be rather massive market demands for aspects including the relocation of urban steel and iron enterprises, elimination of obsolete production capacity, green production, renovation and upgrade of equipment and improvement of the production capacity of high-end products. Meanwhile, the implementation of the state development strategy “One Belt, One Road” provides new room for the development of participation of Chinese steel and iron industry in the cooperation with international production capacity. Through the innovation in sales pattern and reformed application of new materials and new techniques, the Company dominated the integrated and collective service for the entire metallurgical industrial chain with technical design as the lead, core techniques and equipment manufacture as the basis and construction project management and implementation as the mean. The Company focused on the new trend of “Elimination of overcapacity” and transformation and upgrade in the domestic steel and iron industry, thoroughly researched on the actual condition of the steel and iron enterprises in the process of “elimination of overcapacity” and transformation and upgrade, seized the opportunities brought by the structural adjustment and intelligent manufacturing, green manufacturing and the application of Internet + technology model in the steel and iron industry, fully utilized the enormous business opportunities brought by the international production capacity cooperation of steel and iron industry under the “One Belt, One Road” strategy closely followed up on the status of the protects, and endeavored to enhance the competitiveness of the Company in the global steel and iron market. During the Reporting Period, various new substantial contracts were executed in the traditional metallurgical field, such as the Bao Steel Zhanjiang Steel and Iron Base Project (寶鋼湛江鋼鐵精品基地項目), Ha Tinh Steel Plant in Vietnam Project (越南台塑河靜鋼廠項目), Annual Production of 3.50 million tonnes of steel for Guangxi Shenglong Metallurgical Malaysia Mazhong Guandan Insustry Site (廣西盛隆冶金馬來西亞馬中關丹產業園年產350萬噸鋼鐵項目), Upgrade and Renovation Project for the Steel Relocation of Hebei Taichang Steel Group (河北太行鋼鐵集團鋼鐵退城搬遷升級改造項目), Engineering Project of Ferronickel Processing Plant with the Annual Output of 600,000 Tonnes of Indonesia Guangqing Nickel Co., Ltd (印尼廣青鎳業有限公司年產60萬噸鎳鐵廠項目), Industrial Restructuring Project of Hebei Yong Yang Special Steel Group Co., Ltd.* (河北永洋特鋼集團有限公司產業重組項目) and Relocation Project of Shijiazhuang Iron & Steel Co., Ltd. for Environmental Protection and Product Upgrading (石鋼環保搬遷產品升級改造項目), which constantly enhanced the leading position of the Company in metallurgical engineering field.

Transport and municipal infrastructure

Transport and municipal infrastructure is one of the mainstay industries of the “Four Beams and Eight Pillars” integrated business system as well as a direction which the Company strives to develop towards. The ample experience in design and strong project management capability of the Company, supported by the abundant technical equipment and construction capability created an immense capability in transportation service and the Company successfully undertook series of constructions. In 2015, the Company won the bid of 18 substantial projects amounting to more than RMB1 billion, such as EPC of North Section of Inner Mongolia Tongliao to Lubei of Changchun – Shenzhen Expressway (長春至深圳高速公路內蒙古通遼至魯北段施工總承包項目), High-speed Reconstruction Engineering of Hubei Guanggu Avenue (湖北光谷大道快速化改造工程) and Project of Expressway from Guizhou Zunyi to Suiyang (貴州遵義至綏陽高速公路項目). The impact of the development of municipal transportation infrastructure on the increase in the Company’s profitability and sustainable development was increasingly significant.

Environmental engineering & alternative energy

With the national emphasis on environmental protection and with new environmental laws and other environmental policies being rolled out, more stringent requirements for pollutant emissions and corporate governance have been proposed, and the market of environmental protection is huge. Over the years, the Company has researched and developed a large number of environmental technology achievements which gained good economic and social benefits. This provided a strong support for the upgrading of China’s iron and steel industry. Meanwhile, the Company also vigorously developed the field of municipal environmental protection and new energy with the ability to provide a full process services of technology research, consultation, design, equipment supply, project contracting, commissioning and project management and engineering operation management to comprehensive treatment of municipal waste, municipal pipe network construction for water, electricity and heating utilities, sewage treatment, photovoltaic power generation. The Company has become a construction contractor, equipment supplier and investment and operation service provider with strong strength and large brand influence in the field of environmental engineering and alternative energy. During the reporting period, the Company continued to put more efforts in environmental engineering & alternative energy. The Company’s development on environmental engineering & alternative energy has achieved remarkable economic and social benefits. During the reporting period, a number of significant environmental projects were newly signed, such as General Contracting Project for Yunnan Kunming 60MWP Net Photovoltaic Power Generation (雲南昆明60MWP並網光伏發電總承包項目), Baosteel Flue Gas Purification Project of Sintering Overhaul in Iron-

making Plant (寶鋼煉鐵廠燒結大修改造煙氣淨化工程), Sewage Treatment Project of Liaoning Agricultural High-Tech Zone (遼寧農業高新區污水處理項目) and Comprehensive Energy-saving Technological Renovation Project of Waste Heat Recovery Power Generation from Flue Gas of Wuhan Iron and Steel Group Echeng Iron and Steel (武鋼集團鄂城鋼鐵煙氣餘熱回收發電綜合節能技術改造項目).

Premium property construction

In the premium property construction, the Company aims smart, green, landmark as its target market, create a premium property construction brand through continuous technological innovation in ultra-high-rise buildings, large public venues and municipal large public facilities. After years of development, the Company is capable to provide a “one-stop service”, including consultation, planning, survey, design, construction, equipment procurement and supervision. It has accumulated a lot of construction achievements, has been awarded several prizes, and has also created a number of new breakthroughs, such as Kuwait Olympia Tower, the first time of adopting Chinese standard; Zhuhai Cross Gate, a new Zhuhai landmark, and its fast speed of rise is praised as a “cross gate” miracle by the industry. During the reporting period, the Company signed a number of significant projects, such as the Hebei Baoding Weber Square Phase II project (河北保定市萬博廣場二期工程), the General Contracting Project for Cultural Industrial Park Construction of Hometown of Xuanyuan in Henan Xinmi (河南新密軒轅黃帝故里文化產業園項目施工總承包), the General Contracting Project of Design and Construction of Polytechnic Vocational School in Lanzhou New Area (蘭州新區理工職業學院設計施工總承包項目), Haixi Innovation Park Phase III Project in Fuzhou New Area and supporting infrastructure projects (福州新區海西創新園三期) and supporting infrastructure projects, with contract value worth billions of dollars, leading the premium property construction business of the Company to rapid and robust development.

Special engineering

With the rapid development of the modern economy and culture, special engineering have become a nascent unique industry with wide market prospects. The Company holds the only domestic theme park professional design institute. It is an expert in the field of theme parks with Universal Studios Singapore Sentosa project as its representation, the Company successfully cooperated with developed countries on a number of large theme park projects, and promoted “Made in China “in terms of the design, raw materials and construction of theme parks, which greatly reduce the cost of theme park construction. The Company establishes solid innovative thinking, digs into the culture deeply and keeps strengthen the capability of independent innovation in order to integrate its advantages in resources, and stand out in construction of special engineering by strong scientific research strength and rich cultural heritage. In recent years, the Company has contracted to build a number of themed projects, such as the general contracting construction project of the Adventureland and Tomorrowland of

Shanghai Disney Resort (上海迪士尼度假區探險島、明日世界施工總承包項目), Zhuhai Chimelong Ocean Kingdom (珠海長隆海洋王國), Wuhan Wanda Movie Park (武漢萬達電影樂園) and Huai'an Cultural Experience Park of Journey to the West (淮安西遊記文化體驗園), which have been widely recognized by the community, leading the Company to further establish its leading position in the special engineering construction industry.

Municipal integrated subterranean piping systems

As a current and future important engine of national economic growth, the construction of municipal integrated subterranean piping system has risen as an important strategic of national municipal construction. The Company, as the earliest national constructor of integrated subterranean piping system, seizes the national important strategic opportunities to promote integrated subterranean piping system, careful subterranean planning the top-level design and keep innovating the model of municipal integrated piping system, striving efforts in the field of integrated subterranean piping system to become the bearer of national mission, a marketing leader, a explorers of scientific research and development. It puts utmost efforts to build “MCC piping system” brand with broad influence and powerful control force. Mainstream media such as the People’s Daily, Xinhua News Agency, CCTV, etc. have conducted concentrate reports focusing on the “MCC piping system “, which has aroused strong repercussions and widely praised in the community. Not only actively participate in the preparation of national integrated piping system standards, the Company also sets up the first domestic piping system technology research institute, the first specialized company of investment and construction for piping system, and the first hundred-billion level construction fund for piping system (which jointly set up with Postal Savings Bank). “Three measures implemented simultaneously” is that to jointly build a management and control model of “three linkage” with close connection and supporting with each other among of the corporate headquarters, MCC-huafa Integrated Pipe Network Co., Ltd. (中冶華發管廊公司) and sub-enterprise while performing their own duties, in order to constantly strengthen the orderly promotion of development and construction of the integrated piping systems. The Company has successfully built a number of integrated piping systems project to this day.

The integrated subterranean piping system construction in Zhuhai Hengqin is the first national system of regional integrated piping system construction, as well as the largest scale, the highest one-time investment, the longest construction mileage, the most extensive coverage and the most perfect system of an integrated subterranean piping system project currently in the Country, for domestic utility tunnel construction provides a benchmark by the Ministry of Housing as typical across the country; Changde Road underground pipe Gallery in Hunan is the first industrialized achievements into products for civilian projects; Shanghai Baoshan District Shijiazhuang New Area, Nanjing Hexi New City project design, construction reflect the company once again lead the domestic pipe Gallery in the field of powerful strength. Up to now, the company’s comprehensive pipe gallery construction has a total length of 119 km, the longest mileage 33.4 km individual, the

industry has been evaluated as “the total mileage of the first, the individual score of the first”. During the reporting period, the company has signed strategic cooperation agreements in respect of integrated piping system with a number of provincial and municipal governments in Guizhou Province, Shenzhen City, Kunming City and others, and has won the tender of piping system projects which tendered by a number of cities, such as Baiyin of Gansu, Baotou of Inner Mongolia, Siping of Jilin, Zhuhai of Guangdong, Shenyang of Liaoning and others. In the first batch of integrated piping systems projects in national pilot cities which has confirmed the constructing and building unit of three blocks, the Company has accounted for two seats exclusively, showing a strong momentum of development for developing piping system market.

Sponge city, beautiful countryside and intelligent city construction

Sponge city, beautiful countryside and intelligent city construction take heavy responsibility in the field of national infrastructure investment and “steady growth”. The state has promulgated the “Guiding Opinions on Promoting Sponge City Construction” and “Beautiful countryside Construction Guide Book” and other programmatic documents in order to continue to promote the construction process of sponge city, beautiful countryside and intelligent city. Places around the country are currently commencing relevant industrial constructions vigorously. Ministry of Housing indicated that it plans to invest RMB86.5 billion within three years to construct 16 “sponge city” pilots; and rural tourism holds great market potential as it has gradually become one of the main support of domestic tourism market.

The company has sized up its situation and taken advantage of opportunities that it have established the Technology Research Institute of Sponge City, and Technology Research Institute of Beautiful Countryside and Intelligent City. It concentrates its superiority to break through the common areas and key technologies in order to prepare a scientific development plan for sponge city, beautiful countryside and intelligent city, and be capable to provide a whole life cycle of sponge city, beautiful countryside and intelligent city and a solution in relation to “one-stop service”. Two Technology Research Institutes will serve as an engine for the above said business industrialization be prompt realised and sustainable development objectives, providing strong technical support for the rapid occupation of domestic and external emerging markets. This is another powerful step in respect of leading the emerging industry, which further consolidate and enhance the Company’s core competitiveness in emerging markets, marking the strategy of becoming the industry leader in emerging markets has been formally entered into a substantive stage of operation.

In the sponge city construction, the Company has taken the relevant technologies in research and development as an engine, preparing “China Metallurgical Sponge City Infrastructure Standard Atlas” and promptly promoting the industrialization of research achievements. It fully participated in the nation-building pilot project of sponge city construction in Wuhan,

actively contracting the planning, design and construction of three projects of Main Canal Park Project in Wuhan West Optics Valley Centre (武漢市光谷中心城西幹渠公園工程), Widening Construction, Ecological Renovation and Upgrading Water Quality Works of Ten-miles Long Canal in Qingling (青菱十里長渠拓寬工程、生態改造及水質提升工程), Infrastructure Construction and Ecological Restoration of Gutian Eco-town (古田生態新城基礎設施建設及生態修復), which amounted to a total investment amount of over RMB10 billion; and gained good social and economic benefits. Sponge city construction has become an important part of the company layout to the emerging industry.

In the beautiful countryside and intelligent city construction, as another important supporting business in emerging industry, the Company has relied on its resource superiority and strong technical storage, integrating with the demand of rural resources and urban development to actively carry out the construction of new rural and intelligent city through conducting a systematic and thorough study in terms of rural resources evaluation system, rural development and operation management, construction of rural public services and infrastructure, information technology of intelligent city, intelligent green energy, intelligent transportation hubs and intelligent parks, the Company dedicated to improve the rural living environment, protect and renovate the folk style, integrate the information technology into the urban construction and operation in order to facilitate the rural economic development and create a harmonious interaction between the city and residents. The Company has also successfully implemented of a number of representative typical projects, such as Qi Cai Valley Agricultural Sightseeing Park in Chongqing Yubei (重慶渝北奇彩山谷農業觀光園), Guizhou Daozhen Dashahe International Tourist Resort (貴州道真大沙河國際旅遊度假區), Internet Industrial Park in Chongqing New North Zone (重慶市北部新區互聯網產業園), Shanghai New Hongqiao International Medical Center (上海新虹橋國際醫學中心). The Company has become an important force in the country of beautiful countryside and intelligent city construction.

Overseas Construction Market

(1) Overseas Market Operation of the Company

The Company closely focuses on external policy, resources and the strategy of international capacity cooperation as well as development opportunities be up against the international infrastructure market; and the Company's layout focuses on bilateral and multilateral cooperation, interconnection and interworking and the regional market related to "One Belt, One Road", as well as to conduct in-depth development and focus marketing to important target markets that the amount of overseas contracts being entered hitting the historical high. For projects under construction, the Company puts more efforts in project supervision through project assessment, risk review and dynamic supervision in order to improve the project controllable rate.

During the Reporting Period, the amount of contracts newly signed between the Company and overseas amounted to RMB41,075 million, accounting for an increase of 140.87% compared to the amount of RMB17,053 million in 2014. The revenue completed in overseas amounted to RMB16,142 million, accounting for an increase of 32.40% compared to the amount of RMB12,192 million in 2014.

As at the end of the reporting period, there are 128 overseas institutions established abroad to the Company, scattering in 43 countries and regions.

(2) Overseas Projects of the Company

During the Reporting Period, among the 29 substantial overseas projects of the Company which were the area of focus for management and control, 14 were steel and metallurgy projects, while 15 were civil infrastructure projects.

– Steel and metallurgy projects were mainly located in India, Vietnam, Indonesia, Malaysia, Iran, Venezuela etc.

In the Indian market, leveraging the self-developed technologies, the Company has successfully undertaken the construction of the 2,200m³ blast furnace for Essar Group, which was in smooth operations upon its commencement of production. The furnace has a high utilization rate and its actual production volume has exceeded the designed production volume by 50%, receiving positive feedback from the Indian steel industry. After that, the Company has also undertaken KPO Coking Project for Tata Group and the DCPL Coking Project for JSW with a contract amount of US\$137 million and US\$244 million, respectively. In particular, two coke furnaces of the 5m KPO tamping coke furnace project of Tata Group with an annual production volume of 1.5 million tonnes has gone into operation, while two coke furnaces are under construction. Feedbacks from project owners were positive towards the quality and progress of the project. As far as the 6.25m DCPL tamping coke furnace project of JSW with an annual production volume of 3 million tonnes is concerned, the project owner is negotiating matters in relation to the separation of contracts. Besides, the Company has been awarded the design contract of large blast furnaces of Tata Group by partaking in the fierce competition against top-tier international companies, which is a breakthrough with historical significance.

In Vietnam, the Company is currently carrying out the largest single integrated steel production plant around the globe – Ha Tinh Steel Plant in Vietnam Project. The Company is in charge of the overall planning, master plan design, technological design and the supply for most of the facilities as well as construction and installation of Hà Tĩnh Steel Plant. The contract amount of the construction granted to the Company is approximately US\$2.3 billion. At present, the project has entered into the stage of commissioning and operations preparation. The project is planned to go into operations between May and June 2016.

In Indonesia, the key projects of the Company under construction are the molten iron project located in Krakatoa, Indonesia with an annual production volume of 1.2 million tonnes, the 2×65MW thermal power generation project located in Sulawesi, Indonesia and the nickel smelting project with an annual production volume of 300,000 tonnes. The progress and quality of all projects have met the requirements of the project owners.

In Malaysia, by utilizing the integrated cutting edge enabled by the all-industry chain of its position as the leading steel construction nationwide, the Company has entered into the design contract of the integrated steel project of Malaysia-China Kuantan Industrial Park with an annual production volume of 3.5 million tonnes with Alliance Steel (M) Sdn Bhd by virtue of its top-caliber technologies, planning and services. The Company will also continue to take on the construction, supply installation and assessment projects of the sub-contracts of steel production plants.

In Venezuela, the Company is carrying out the FMO project of the second 3-million tonne pellet production line, and this is the first time where China has introduced steel pellet technologies to the South American market.

The Company has great emphasis on the steel market in Iran, Turkey and Egypt. The Company has undertaken the construction of the new steel production plant project of Kardemir in Turkey, which has established a solid market foundation and reputation. The Company expects that upon the expiry of the sanctions, Iran will be dedicated to the development of the steel industry and construction of infrastructure. In this regard, the Company will leverage its strength as a nationally-leading company in terms of steel technologies to devote great endeavors to the development of

the Iranian market. In Egypt, the Company is keeping track of several projects of production capacity cooperation and renovations for steel power plants as well as the establishment of new capital cities and projects of theme parks with an aggregate contract value of US\$1 billion.

- **Civil infrastructure projects are mainly located in Kuwait, Sri Lanka, Pakistan, Malaysia, Singapore, Algeria, Namibia, Saipan and other countries and regions.**

The Company is currently in charge of the construction of, among others, Construction and Maintenance of College of Engineering and Petroleum, Construction and Maintenance of college of Science and The Faculty Club and the housing project in Kuwait University Town. In particular, the contract amount of the construction projects for the two colleges of Kuwait University is US\$1.2 billion in aggregate and the construction thereof will be completed in this year and the following year respectively.

In Sri Lanka, the Company has undertaken the construction of the expressway of the Colombo Bandaranaike International Airport, which is reputed to be the “Prime Expressway of the National Entrance”. By undertaking this project, the Company has been highly regarded by the project owners and in the countries where its projects are located. Key projects under construction include the Phase III Project of The Colombo Outer Circular Expressway with a contract amount of over US\$500 million. The amount of central expressway projects of which the contracts have been executed but are yet to be started amounts to US\$1.078 billion. Such projects will be commenced after financing issues are resolved in 2016.

In Pakistan, the Company sufficiently implemented the infrastructure projects for Section D of DHA Lahore Phase 6, Sections 1 and 2 of DHA Lahore Phase 7 and other projects with a completed contract amount of over RMB1 billion in aggregate. In 2015, the Company completed the 300MW solar power generation project of Zhongxing Energy within the shortest time possible, which was a miracle for projects of the same type. Through the on-going operations in Pakistan, the Company has built a certain number of fixed assets, machinery and equipment and nurtured a collection of construction management personnel with extensive work experience in the country, making corresponding contributions to a series of projects under the China–Pakistan Economic Corridor.

In Malaysia, the Company has implemented the W Hotel project, the buildings and outdoor projects of Danga Bay of Greenland (Malaysia) and several civil infrastructure projects. With the accumulation of experience in localization, the Company has developed an integrated team with comprehensive capabilities in terms of market exploration and project operations, and the market prospects are exciting.

In Singapore, the Company is currently developing 5 real estate projects and the total contract amount of projects under construction exceeded US\$400 million. For more than 20 years after it expanded into the Singaporean market, the Company placed considerable emphasis on localized operations with a localization rate of 90%, transforming into a Chinese enterprise that has gone international and in turn building up a solid and sound foundation for its long-term development and expansion into adjacent regions.

In Algeria, the Company is currently carrying out the Phase I and Phase II projects of Oran Stadium (奧蘭體育場). In particular, the Phase I project is a stadium with a capacity 40,000 people, whereas Phase II project is the construction of auxiliary arenas. Upon completion, the stadium will be used for intercontinental sports events. In addition, the projects under construction of the Company also include In Salah Water Pipeline Network Project for the Ministry of Water Resources and building construction projects for the Ministry of Housing and Urban-Rural Development.

In Namibia, the Company is carrying out the MR125 Expressway Overhaul and Innovation Project in Zambezia Province. The expressway was open for traffic in March 2015 in an opening ceremony presided over by the President of Namibia, and the project was highly regarded by both the local government and the general public. At present, the Company is carrying out the final stage of construction for the project.

In Saipan of the U.S., the Company is carrying out the integrated resort construction project for Imperial Pacific, and the progress and quality are highly regarded by the project owners. The success in conducting a civil infrastructure construction project in Saipan of the U.S. has set ground for the Company to undertake projects in developed countries such as the U.S. and the Europe in the future.

(3) *The Overseas Strategy of the Company for 2016*

On the basis of optimization and adjustment to the Company's key strategies carried out in 25 countries and regions for 2015, by adding new hotspots and potential regions along the "One Belt, One Road", popular countries to steel capacity cooperation, countries which had restored their the national stabilities and strived to develop infrastructure and civil facilities and countries in line with the target of the Asian financial institutes financing policy, the Company gradually adjusted the countries with fair prospects, minor scale, poor market foundation and plenty of restrictions. By utilizing the regional and integrated advantages and striving to implement and proactively participating in the construction of "One Belt, One Road", the Company became the vanguard of the "One Belt, One Road" state strategy with immense power. The 7 major regions and 28–30 important target markets of the key strategy for 2016:

- Construction of economic corridor around the PRC, Inner Mongolia and Russia with strategies carried out mainly in Russia and Kazakhstan and accelerating the establishment of Kazakhstan representative office to focus on the mid-Asia market;
- New bridge between Asia and Europe and economic corridor connecting the PRC, mid-Asia and west Asia with strategies carried out mainly in 5 countries, namely Iran, Turkey, Kuwait, Saudi and United Arab Emirates;
- Construction of economic corridor between the PRC and Pakistan and Bengal, the PRC, India and Myanmar with strategies carried out mainly in Sri Lanka, Pakistan, India and Myanmar and an attention on the projects of Bengal government;
- Construction of economic corridor around the PRC and Indochina with strategies carried out mainly in 5 countries in the southeast Asia, namely Indonesia, Malaysia, Singapore, Vietnam and Cambodia (Thailand);
- Enhancement of the development in Africa and intention to regard Egypt, South Sudan, Mozambique as important countries besides Algeria and South Africa which the strategies were previously positioned; adjustment to regard Tanzania market as a normal class country; focus on markets including Gabon, Zimbabwe and Nigeria;

- Enhancement of the focus on the market of Bolivia and Cuba other than the continuous strategy in Brazil and Venezuela, consideration on whether to regard these countries as important countries based on the situation;
- Maintenance of the performance in Hong Kong and Macau housing and infrastructure market especially the cooperation market between the PRC, Hong Kong and Macau with Hengqin the free trade zone and a continuous regard to Australia and Saipan as important countries with focus on The Territory of Guam and surrounding markets.

(4) Overseas business operating plan for 2016

- Newly signed overseas business contracts endeavor to reach 12–15% of the total new contract amount;
- Overseas business operating results endeavor to reach 8–10% of the total operating revenue;
- Overseas institutions are optimized in order to increase the number of countries to 28–30 where strategies were carried out;
- Overall localization rate of overseas institutions amounts to 50%;
- The controllability rate of projects in hands reaches 95%.

(5) Overseas business measures for 2016

- The Company will closely follow the “One Belt, One Road” state strategy and seize the development opportunities brought by the national steel and iron and infrastructure along the “One Belt, One Road” with the equal focus on the development of steel and iron and non-metallurgical market. By carrying out key analysis and strategies for 28–30 countries, the Company will identify the responsible corporates and implement operation standards while developing cohesively with national teams in order to realise an impressive growth in overseas market development.
- The Company will enhance the operation of projects by adequately utilizing the supporting policies for financial institutions including overcapacity elimination, AIIB, Silk Road Fund, and strive to develop parks and external investment and production capacity cooperation projects of the PRC corporates under the opportunity brought by combination between industry and finance and production capacity cooperation in order to improve the overall profitability and risk resistance capacity.

- The Company will strengthen the power of overseas institutions and regional companies by enhancing the localization input and developing markets with adequate utilization of local staff.
- The Company will adequately utilize the agent operation and endeavor after high-end and high-return projects.
- The Company will strength the management of projects in progress, control the operation risk of projects and maintain the existing market through improving the projects in progress while expanding and occupying new markets and constantly improving its market share.
- The Company will cultivate and recruit tremendous talents and operate high-end projects with the tremendous talent teams.
- The headquarters shall enhance its support to subsidiaries for market development and project management with full support to the market development of the subsidiaries and conduct forward looking risk estimation for substantial projects in progress which shall form an important part for market development and control.

(II) Property development business

1. Industry Overview

In 2015, under the pressure brought by the downturn of macro-economy and the background of “new normal”, the government valued more on the substantial impact of real-estate on promoting consumption boosting investment and insisted on the keynote of promoting consumption and inventory reduction for real-estate policies with frequent promulgations of easing policies for both supply and demand sides, resulting in a significant improvement in the policy environment of the industry operation and offset the adverse impacts caused by the macro-economy downturn to a certain extent which promoted a stable growth in the market volume and value. In such process, the financial and credit policy remained as the key influence whereas the interest rate reduction and reserve requirement ratio cuts, downward adjustment of first instalment and mitigation of provident fund lowered the cost for purchasing properties. Followed by the support of fiscal policy, the market demand was significantly released. In general, the turnaround trend of the entire property market was obvious. However, viewing from the city tier, different property markets showed diverse development trends: The influence of the policies on tier 1 and certain tier 2 cities were more significant and the improvement on

the demand were obviously released with gradually lower inventory pressure, occurrence of the upward trend of property price, stable recovery of land market and overall uprising floor price due to their own advantages on economy and industry with greater demand for properties, concentrated wealthy people and immense buying power; the impact on tier 2, tier 3 and tier 4 cities were unobvious and the market performance was sluggish without incentive due to the restriction on economy, industry development and absorb capability of the population, which still required an assistance of further mitigation policies.

It was proposed at the China Central Economic Works Conference held in December 2015 that: “appropriately lower the price of commodity property” and “resolve the property inventory”. Under the guidance of leading mindset of the central government and the integrated consideration combining the current domestic economic condition and the development trend of property industry, it is expected that inventory reduction will remain to be the keynote for the property market in 2016 while property policies are wished to keep easing in respect of loan, currency and tax, in order to safeguard the market, encourage property investment development and promote inventory reduction. In addition, long-term effective mechanism including household registration reform, provident fund reform and prevention of capitalizing social security housing will be promoted actively to support the continuously healthy development of property market. Meanwhile, under the influence of the policy, it is expected that the difference of property development between different cities will remain. The satisfying economic development in tier 1 and certain tier 2 hotspot cities with constant inflow of population will remain certain level of uprising power as there are sufficient demand and relatively less inventory pressure; certain tier 2, tier 3 and tier 4 cities will still require various ways to reduce inventory and the housing price is expected to drop.

2. *The Operating Results of the Business*

In 2015, under the background of continuous regulation and control in the industry, the Company enhanced the regulation and control on its property business, paid greater attention to the integration of segment resources, various streamlined business types and management and control on the process of major projects to maintain stable and healthy development of its property business.

In 2015, property development business of the Company recorded total profits of RMB2.58 billion, a fruitful result of the Company by continuously enhancing the capabilities of project development, capital integration and business integration.

(1) Implementation of stringent control over risk strategy; plans of deep development on “3+6+1” areas

To facilitate the sustainable development of the Company’s real estate business, the Company continued to strengthen the investment attraction of the land parcel No.1 Xiaguan District of Nanjing in 2015, along with rational plans and non-concentrated investment, achieving desirable results. Meanwhile, the Company clearly proposed strategic plans on “3+6” areas, which includes close involvement with three major economic rims in Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta, and deep development of six core cities comprising Beijing, Tianjin, Shanghai, Nanjing, Shenzhen and Zhuhai, pressing ahead the conversion of Project Companies into City Companies; strategies of deep development on “3+1” areas were implemented at the same time, with plans based on three major economic rims and a focus on second-tier cities such as Chongqing, Wuhan and Xi’an with existing projects, forming a good operation on complementary development of each district. According to the Company’s regional strategic plans, each project had a relatively smooth development, and the corporate brand of MCC Real Estate and product brands including “MCC-Dexian Residence” (“中冶•德賢公館”) and “MCC Aristocratic Family”(“中冶世家”) were gradually recognised by the market.

(2) Implementation of strategy of technological innovation; exploration on new space of product premium

MCC Real Estate, a subsidiary of the Company, established a “specialised group for haze elimination with technological structures”, and worked with manufacturers including Honeywell and Hitachi for technological collaboration. Comprehensive promotion of air purification system for PM2.5 in Beijing-Tianjin-Hebei areas fully improved the interior environment of apartments and office buildings. By adopting new technologies, including same-layer drainage, “cloud-heat collection” solar system and circulated reclaimed water treatment system, the demands for healthy and green living environment from our clients have been satisfied. Client experience-centred green development was comprehensively implemented, which created a top-notch intelligent community with an aim of “green + energy saving + comfort + mobile communication” that enhances the space of product premium.

- (3) *Basic formation of business system targeted on mid to high-end apartment development, complimenting with business real estate and property management, in line with “one focus, two concerns”*

While strengthening the competitiveness of property development segment, the Company studied the trends in the market, enhanced the structure of business real estate and property management and nurtured new growth point in valuation. Creative business model was themed with romantic wedding ceremonies and trendy leisure, which created new commercial space as a riverside fashion shopping centre in Hutchison Matheson, Nanjing (南京和記洋行濱江時尚); themed with “technology, entertainment, shopping and sightseeing”, specific business proposals for Zhuhai, Tianjin and Shijiazhuang were improved with new model of unique business real estate formed. The Company obtained the first class qualification of property management, created the brand of “MCC Property”, and proactively developed value-adding services which include finance services, health care and education in the communities so as to provide a better living experience to the property owners.

In the next five years, the development targets of the Company’s real estate business: to rank top 10 in terms of integrated strengths at real estate among Central Enterprises (綜合實力排名央企房地產企業) and to rank top 50 in domestic real estate industry. Combined with the current project development progress, the future development plans and the advantages of real estate business, the Company will be able to maintain a stable revenue and steadily growing profits through efforts in the next five years.

**The overall operating results of
the property development business in 2015**

Unit: RMB’000

	2015	% of the total	2014	Year-on-year growth
Segment revenue	19,441,290	8.81%	22,852,664	–14.93% Increased by 2.20 percentage points
Gross margin (%)	<u>20.10</u>	<u>–</u>	<u>17.90</u>	<u>points</u>

Note: The segment revenue and gross margin above are before inter-segment eliminations.

In 2015, the revenue from property development segment of the Company was RMB10.497 billion, representing a year-on-year decrease of 8.80%; the sales amount and areas of commodity property amounted to RMB10.816 billion and 954,300 sq.m., respectively; gross margin was 22.24%; and the revenue from social welfare housing development was RMB8.296 billion, representing a year-on-year decrease of 14.25%; gross margin was 16.23%.

In 2015, the area under construction within the property development segment of the Company was 12.5009 million sq.m.. In particular, the newly commenced GFA was 1.7875 million sq.m., the newly acquired land area was 138,800 sq.m., and the plot ratio-based GFA of the land bank at the end of the year was 4.80 million sq.m., mainly located in major cities including Zhuhai, Tianjin, Shijiazhuang and Chongqing.

The progress of the Company's developing projects on major real estates is as follows:

- (1) On 19 September 2010, Nanjing Linjiang Old Town Renovation, Construction and Investment Co., Ltd. ("the Project Company"), which is owned by MCC Real Estate, won the bid of the land use right of Land nos. 1 and 3 at the west of Jiangbian Road, Binjiang, Xiaguan District of Nanjing city at a public auction. The consideration of land transfers were RMB12.141 billion and RMB7.893 billion, respectively, with the total amount of RMB20.034 billion (for details, please refer to the announcement of the Company dated 21 September 2010).

The Land Nos. 1 and 3 in Xiaguan district, Nanjing was the Company's major real estate development project. In order to reasonably control the investment progress and obtain the expected investment returns, the Company confirmed the overall development plan of the Land nos. 1 and 3 after thorough consideration and detailed planning. A total of 38 land parcels on Land No. 1 with a site area of 1.41 million sq.m., which the Project Company intended to inject it into certain project companies through introducing strategic collaborators for strategic collaboration, or transferring the equity shares of Project Company for funds. As of the end of the reporting period, 13 project companies (corresponding to 36 land parcels) have been successfully transferred with the total transfer amount of RMB16.369 billion and the remaining two land parcels were in the course of negotiations.

The total area of Land No. 3 was 322,900 sq.m., the nature of the land use includes the uses of mixed residential, commercial and financial, cultural and recreational, nursery and kindergarten, and mixed business office with a floor area of approximately

890,400 sq.m. and an unlimited underground area, each land has a plot-ratio of 1.0 to 13.7, controlled building height of 24m to 300m. Land no.3 project was divided into two-phase construction, namely General Phase I and General Phase II, of which General Phase I (Project Fangjiaying (方家營項目), Project Binjiang (濱江項目) and Project Hutchison Matheson (和記洋行項目)) already commenced development where construction of certain land parcels was commenced at present. General Phase II was yet to commence development as it was currently under the positioning stage of initial planning.

- (2) On 17 July 2012, the consortium of MCC Real Estate won the bid of and obtained the land use right of plot A1 under Phase II of the green belt construction and old village reconstruction project at Jiugong Town, Daxing District, Beijing (北京市大興區舊宮鎮綠隔地區建設舊村改造二期A1地塊) at a public auction for a consideration of RMB2.2 billion in cash, together with an obligation to construct public rental housing of 4,700 sq.m. (for details, please refer to the announcement of the Company dated 19 July 2012). Since the first opening of the project on 18 October 2014 until the end of 2015, the Company sold 5 buildings with 309 apartments in total, and successfully signed 217 apartments with a contract area of 33,200 sq.m., and recorded good returns in sales. Contract signing is undergoing for 67 acquired apartments which had not been transferred.
- (3) On 28 May 2014, MCC Real Estate won a bid for the land use right of a land plot located in Qili of New Badali, Heiniucheng Road in Tianjin at a consideration of RMB4.949 billion (for details, please refer to the announcement of the Company dated 29 May 2014). Currently, the project has been steadily facilitating formality procedures, design planning, construction work and sales. The project opened on 4 July 2015. As at the end of 2015, the accumulated contract sales area was 42,100 sq.m. and recorded good returns in sales.

(III) Equipment Manufacture Business

1. Industry Overview

The metallurgical equipment manufacture industry is categorised as providing simple reproduction along with professional equipment to the iron and steel industry. In 2015, the metallurgical equipment manufacture industry in China faced difficulties resulted from the slowdown of global economy and severe overcapacity in the Chinese iron and steel industry, iron and steel enterprises suffered hardships in production and operation, and direct impact from the significant cut-down in the investment of iron and steel industry. The entire domestic metallurgical equipment manufacture industry was plagued by such a predicament.

To cope with the severe overcapacity in the Chinese iron and steel industry, the Chinese government has launched a series of policies and measures alleviating overcapacity in the iron and steel industry and strictly prohibiting the increase in new capacity of the iron and steel industry. As such, it is foreseeable that there will not be oversupply for fairly long time in the future, compared to the short supply of products in the metallurgical equipment manufacture in the past few years which will no longer exist. The metallurgical equipment manufacture industry will also face a serious downward trend in relation to clearing of overcapacity.

2. *The Operating Results of the Business*

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

The overall operating results of the equipment manufacture business in 2015

Unit: RMB'000

	2015	% of the total	2014	Year-on-year growth
Segment revenue	9,270,661	4.20%	10,234,645	-9.42% Increased by 1.36 percentage points
Gross margin (%)	<u>13.56</u>	<u>-</u>	<u>12.20</u>	<u></u>

Note: The segment revenue and gross margin above are before inter-segment eliminations.

Due to the sluggish environment in the entire metallurgical equipment manufacture industry, the equipment manufacture of the Company did not live up to the expectations. Therefore, the Company has seriously analysed the requirements of upgrading reform of the metallurgical equipment manufacture industry with the background of "clear overcapacity" of the Chinese iron and steel industry; analysed the leading edges in pushing forward the iron and steel industry by means of a retreat from cities, environmentally-friendly reform and product upgrade so as to make strategic deployment of the equipment manufacture and accelerate the technologies of metallurgical engineering of iron and steel. In addition, the principles of "refining" and "streamlining" and the adherence to the "professional" development direction are encapsulated in the deep integration and continuous enhancement of production (craftsmanship) and equipment

technology. Low-end production enterprises with low competitiveness and technology shall be eliminated immediately, and only a small number of high-end production enterprises being able to support the national business of the first progression ladder can survive. In the end, intelligent equipment products shall treat equipment as a carrier, integrating core craftsmanship and technology of model control, and advanced technology as a representative, and step up the comprehensive application in the market in order to become a real “hard support of the national construction of metallurgical iron and steel” enhancing international competitiveness and positioning at top-notch among the iron and steel enterprises on a global scale.

As the base of the Chinese iron and steel industry is substantial, even though the steel capacity is to be cut by 100 million to 150 million tonnes in the next five years, there will still be a certain demand in the metallurgical equipment market due to the most stringent environmentally-friendly policy and the inner demand of structure and quality level on the supply side of the iron and steel enterprises. These market demands attributed to stronger competitiveness of the Company, accompanying the market opportunities brought by continuous collaboration of international production capacity with the Chinese iron and steel industry, the equipment manufacture of the Company will still have a broader market space in the next few years. As the equipment manufacture segment of the Company stepped down, the operating environment of equipment manufacture will gradually become better.

Meanwhile, the Company will further strengthen the macro control of steel construction business, form a collaborative model of production and research, promote integration of regional resources, and improve resource distribution. The Company will unify the brand of “MCC steel structure” through establishing the strategy target of “one brand, two supports, three initiatives”; construct two core technological supports of “research platform and design platform” for “MCC steel structure”; implement three business initiatives of “integration of regional resources, high-end reform of business, business facing the world” so as to continuously showcase the capacity of “MCC steel structure”, endeavour to enhance the research, design and manufacturing level of “MCC steel structure”, causing “MCC steel structure” to be the hard support of the “main force of national infrastructure”. Through establishing the brand of “MCC steel structure”, the Company is on the path of unified production, high-end products and international branding. The Company will provide clients with overall solutions throughout the processes of consultation, research, design, production, installation as well as transportation, examination and repair by strengthening the industrial steel structure and exploring the steel structure of civil buildings and infrastructure. All of the above-mentioned measures are in response to the upgrade of “Four Beams and Eight Pillars” of the Company and create a better overall development position of MCC’s new competitive edge.

(IV) Resource Development Business

1. Industry Overview

In 2015, the global mining industry still faced a grim situation, prices of mining products in bulk significantly dropped, the number of mining companies in the world that were of loss, ceased production and went bankrupt increased mainly due to 1) the downward impact of the cyclical fluctuations of economic trend, in particular the impact after the Chinese economy entering new normal state; 2) the over rapid expansion of capacity caused by significant increase in prices of mining products over the past few years.

For mining products in bulk, there will be different trends in the future demands and prices of iron ore and non-ferrous metals due to significant differences in resources and demand and supply.

Iron ore

The global reserves of iron ore are abundant. The guaranteed life of reserves is nearly a century, according to the current supply of iron ore. The four major iron ore manufacturers control abundant iron ore resources of high quality and low cost. In 2014, the manufacturing amount represented a half of the global demands. In 2015, after the plummet in oil prices, the manufacturing cost of iron ore reduced to below US\$20, the manufacturers are still able to record profits and possess strong market competitiveness under the current prices of iron ore. With the dropping prices of iron ore, the four major iron ore manufacturers still, against the odds, expand their capitals, enhance market shares and force the high-cost mines to close down.

In 2014, the Chinese consumption of iron ore accounted for approximately 62% of the global consumption, indicating that the Chinese consumption of iron ore determines the trend of global iron ore market. In 2015, both consumption and market in China were at the tipping point with a downward trend due to the adjustments to the Chinese economic structure and the decrease in demand of iron and steel. There was a decrease of 2.3% in crude steel production as compared to that of last year, posting the first decline in 30 years. In 2016, the Chinese government clearly stated that production capacity of crude steel is to be further cut by 100 million to 150 million tonnes in the next five years, and thus the demand of iron ore will decrease.

Due to the abundant reserves, sufficient supply and dropping demand of iron ore, the market will be very unlikely to be favourable in the future.

Non-ferrous metal

Unlike iron ore, non-ferrous metal resources are comparatively scarce, smaller production scale, lower mining grade and a higher number of manufacturers. Thus, there is no monopoly in the industry. The supply and demand of non-ferrous metal are at basic equilibrium with certain periodicity. Due to the increasing prices of non-ferrous metal, investment increased and production expanded. The increasing supply caused oversupply and led to decreasing in prices, and thus low-graded and high cost mines were forced to cut production capacity and close. Therefore, supply decreased and the whole cycle completed.

Take copper as an example, the guaranteed life of reserves of copper is only around 30 years. In the future, only low-graded infertile mines can be explored due to a lack of copper resources and the decreasing resources of high-graded mines in Africa and other regions. The grade of porphyry copper mines (斑岩銅礦) only represents approximately 0.5% of the explored mines by the Chinese companies in South American regions.

In 2014, there were approximately 41% of the global consumption of copper came from China, which placed a significant effect on the global demand. China lacks copper resources where its self-supplied copper can only satisfy 35.8% of demand, so China mainly relies on copper import. Although Chinese economy entered a new normal state, the Chinese demand of copper and major non-ferrous metal is still going to increase in the future. The Chinese consumption of copper in 2014 and 2015 increased 6.3% and 4.9%, respectively as compared to those of last year. In 2015, the production of 10 non-ferrous metals in China amounted to 50.9 million tonnes, representing a year-on-year increase of 5.8%.

Due to the insufficient resources of non-ferrous metal and small production scale, the demand of non-ferrous metal of China, as the major consumer, will still maintain an increasing trend in the future. The non-ferrous metal market will maintain a regular change and the prices will fluctuate over time.

2. The Operating Results of the Business

Business of the Company's resource development mainly focuses on mining, selection and refining of metal resources of nickel, copper, lead, zinc and other metals.

The resource development business of the Company is in line with “perfect management, strong quality, reduce costs, control risks and make profits”, giving an effective play of the intensive management of MCC Mining Group Company Limited (中冶礦業集團有限公司) as a professional platform company, strengthening the business management and control of overseas resource development, enhancing the exploration of our own mining resources and service level of operation. By taking advantage of its resources of current projects and taking into account of individual market competitiveness, the company takes different strategies on different resources, in order to control the investment risk and guarantee the safeness of its assets. The Company will strictly control its investment and operation risk on iron ore, and maintain the current mining rights for prime copper resources, without blindly investment. By focusing on technology innovation, the Company will make a better use of the nico and cobalt resources of Ramu Nico Project and relevant metal resources in emerging industries, to realize the economic value of Ramu Nico Project.

The Company is of view that, with the technological advancement of nickel, cobalt and lithium as the materials of ternary battery and copper as conductive material, the demand of non-ferrous metal such as nickel and copper is expected to increase under the development guidance of the battery and new energy vehicle industry. Therefore, the Company is confident of the future development of its nickel-cobalt mines and copper mines.

As mining resources are non-renewable, with the development of economy and society, emergence of new technology and application, the values of nickel-cobalt mines and copper mines owned by the Company will continue to grow. Apart from the resources projects in hand of copper and nickel mining resources, the Company also possesses a batch of world-class enterprises with leading positions in China in terms of project design of non-ferrous and ferrous metal, technological research and development, and equipment manufacture enterprises, striving to lead the Chinese metallurgical technology for development and improvement. For example, China Enfi Engineering Corporation (中國恩菲工程技術有限公司), a subsidiary of the Company, owns the proprietary intellectual property rights and internationally advanced technologies, namely oxygen-bottom-blow copper smelting technology (氧氣低吹銅冶煉技術) (awarded the Provincial Science & Technology Progress Award (First Class)) (省部級科技進步一等獎) and oxygen-bottom-blow lead smelting technology (氧氣底吹煉鉛技術) (awarded the National Science & Technology Progress Award (Second Class)) (國家科技進步二等獎). Such technologies feature short handcrafting process and low energy consumption that enabling further reduction of smelting costs and facilitating the long-term development of non-ferrous metal industry.

The Company will endeavour to leverage on the economic and mining cycles, fully utilise the implementation of the “One Belt, One Road” strategy and the opportunities from new technology and industry. Depending on the competitive edges of quality mining resources in hand, the Company will seek to develop new products and production chains, enhance core competitiveness and further expand resource development business of the Company in order to make profits and facilitate sustainable development in the long run.

**The overall operating results of
the resource development business in 2015**

Unit: RMB'000

	2015	% of the total	2014	Year-on-year growth
Segment revenue	3,015,008	1.37%	4,264,231	-29.30% Decreased by 17.87 percentage points
Gross margin (%)	<u>-9.30</u>	<u>-</u>	<u>8.57</u>	<u></u>

Note: The segment revenue and gross margin above are before inter-segment eliminations.

Project under production

Ramu Nico Project: In the fourth quarter of 2015, the ratio of actual production capacity to designed capacity has become stable and above 90%. The project has basically been fulfilled in terms of production. As compared with international similar projects, unit investment of Ramu Nico Laterite Mine is low and the fulfillment of the production can be achieved in a short period with highest productivity. The unit cost is low, which lays a solid foundation for survival through adversity and subsequent development. In 2015, the project produced 65,286 tonnes of Ni-Co hydroxide, containing 25,582 tonnes of nickel and 2,505 tonnes of cobalt. During the year, the ratio of actual production capacity to designed capacity was 78.5% for Nickel, representing a year-on-year increase of 22%. The cumulative sales of Ni-Co hydroxide amounted to 20,855 tonnes and the year-on-year ratio was basically fair, but due to substantial decrease of the Nickel price, revenue from sales was recorded significant decrease with the operating revenue of RMB1.15 billion for the year, representing a year-on-year decrease of 37.8%. Total profit accumulated for the year amounted to RMB-1.61 billion, among which RMB0.66 billion was provision for impairment of fixed assets.

Saindak Copper-Gold Mine project, Pakistan: In 2015, despite various problems such as the reduction of minable ore and increased hardness of ore, the mine yielded production of 13,056 tonnes of crude copper, and the year-on-year ratio was basically fair, and sales of crude copper were 12,274 tonnes, representing a year-on-year decrease of 7.6%. The sales of crude copper (containing gold) was US\$7,783 per tonne in average, representing a decrease of 14% compared with the annual expected selling price of US\$9,054 per tonne. The cumulative sales amounted to RMB0.6 billion, representing a year-on-year decrease of 23%. Total profit achieved amounted to RMB40 million, exceeding 13% of the annual expected target.

Sierra Grande Iron Ore, Argentina: Due to substantial slump in international ore prices, in 2015, the selling prices of iron ore products were not able to cover the costs, reduction in production was carried out. During the year, 300.6 thousand tonnes of iron concentrate powder in aggregate was produced, representing a year-on-year decrease of 8.4%. The sales of products amounted to 336.6 thousand tonnes, representing a year-on-year decrease of 23.8%. The average selling price amounted to US\$44.8 per tonne, representing a year-on-year decrease in 52.1%. The operating revenue for the year amounted to RMB93.19 million, representing a year-on-year decrease of 61%. Total profit amounted to RMB-389 million, among which RMB280 million was due to exchange loss incurred by depreciation of Argentine Peso.

Project under construction and project under preliminary feasibility stage

Duddar Lead-Zinc Mine Project, Pakistan: China Huaye Group Co., Ltd., a subsidiary of the Company, strived to carry forward the resumption of production and construction of mine. According to the first stage of implementation plan, the lower and upper part of shaft has entered trial production in December 2015, which was slightly advanced compared with the original proposed time. Moreover, upon optimization of the plan, US\$5.45 million of investment was saved in terms of filling system and acquisition of equipment. The following step of the project is to concentrate on the construction work of the lower ground system and strive to commencement and fulfillment of operation as soon as practicable based on the second stage of implementation plan.

Aynak Copper Mine Project, Afghanistan: In July 2015, the Company and negotiation group formed by JCC Group carried out first round of discussion regarding amendment to the mining contract in Dubai with Afghanistan mining department. The PRC submitted the detailed topics of discussion regarding the amendment to the mining contract to Afghanistan. The Company will strive for reaching a reasonable standard of return rate of project investment through the negotiation in order to lay a solid foundation to obtain an actual progress.

III. FINANCIAL HIGHLIGHTS

The highlights of Company's financial position as at 31 December 2015 and the operating results for 2015 are as follows:

(I) Overview

- Operating revenue amounted to RMB217,324 million, representing a year-on-year increase of RMB1,538 million or 0.71% from RMB215,786 million in 2014.
- Operating profit amounted to RMB5,939 million, representing a year-on-year increase of RMB649 million or 12.27% from RMB5,290 million in 2014.
- Net profit amounted to RMB4,949 million, representing a year-on-year increase of RMB608 million or 14.01% from RMB4,341 million in 2014.
- Net profit attributable to shareholders of the listed company amounted to RMB4,802 million, representing a year-on-year increase of RMB837 million or 21.11% from RMB3,965 million in 2014.
- Basic earnings per share amounted to RMB0.24, and the basic earnings per share of 2014 amounted to RMB0.21.
- As at 31 December 2015, total assets amounted to RMB343,763 million, representing an increase of RMB17,785 million or 5.46% from RMB325,978 million as at 31 December 2014.
- As at 31 December 2015, total equity amounted to RMB71,155 million, representing an increase of RMB13,130 million or 22.63% from RMB58,025 million as at 31 December 2014.
- Newly signed contracts were worth RMB401,586 million, representing an increase of RMB71,792 million or 21.77% from RMB329,794 million in 2014.

(II) Revenue From Principal Business Segments

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

1. *Engineering contracting business*

Segment revenue amounted to RMB186,304 million, representing an increase of RMB7,888 million or 4.42% from RMB178,416 million in 2014.

2. *Property development business*

Segment revenue amounted to RMB19,441 million, representing a decrease of RMB3,412 million or 14.93% from RMB22,853 million in 2014.

3. *Equipment manufacture business*

Segment revenue amounted to RMB9,271 million, representing a decrease of RMB964 million or 9.42% from RMB10,235 million in 2014.

4. *Resource development business*

Segment revenue amounted to RMB3,015 million, representing a decrease of RMB1,249 million or 29.29% from RMB4,264 million in 2014.

5. *Other businesses*

Segment revenue amounted to RMB2,647 million, representing a decrease of RMB452 million or 14.59% from RMB3,099 million in 2014.

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

(III) Major Financial Data in 2015 on Quarterly Basis

Unit: RMB'000

	The first quarter (January – March)	The second quarter (April – June)	The third quarter (July – September)	The fourth quarter (October – December)
Operating revenue	45,381,374	55,310,177	44,707,983	71,924,438
Net profit attributable to shareholders of the Company	1,273,480	898,785	979,167	1,650,130
Net profit attributable to shareholders of the Company after deducting non-recurring profits and losses	1,165,744	617,842	850,484	1,186,664
Net cash flow generated from operating activities	<u>-5,278,064</u>	<u>1,224,475</u>	<u>1,476,354</u>	<u>17,934,617</u>

IV. POSSIBLE RISKS AND MEASURES ADOPTED BY THE COMPANY

Risks Associated with Macro-Economy

The principal businesses engaged by the Company including engineering contracting and property development are closely related to operating condition of the macro-economy of the State, fixed assets investments in the iron and steel industry, development of the construction industry and urbanization process, etc. Currently, the world economy recovers circuitously with deep adjustment and continues to grow at a slow and moderate pace. The domestic economy is under the new normal with increasing downside pressure. The economic growth of China slows down significantly and there is still a decreasing trend in investments, which will bring uncertainties to the business development of the Company. The Company will manage reasonable expectations, adjust its operating strategies and leverage on its conditions of active development in order to realize stable development.

Risks Associated with Traditional Metallurgical Engineering segment

In recent years affected by the national industrial policies requirements of clearing excess capacity and prohibiting newly-constructed projects, the scale of fixed assets investment of iron and steel enterprises continues to decrease. The domestic metallurgical construction market is shrinking significantly, posing challenges to the traditional metallurgical engineering segment of the Company. Meanwhile, reduction of capacities and restructuring, relocation and transformation, cooperation with international capacities of the iron and steel enterprises, and more stringent requirements on technological transformation and energy conservation and emission reduction of metallurgical industry by new environmental protection laws, are offering the Company with opportunities to continue developing metallurgical engineering segment. The Company will utilize the development opportunities of the structural adjustment of the domestic iron and steel production capacities and the cooperation with international production capacities to unleash the comparative advantages of the Company in metallurgical engineering segment, so as to maintain its leading position in the industry of such traditional segment.

Risks Associated with New Business Segment

Under the new normal, the Company leverages on the opportunities of “One Belt, One Road” (一帶一路) and the synergetic development of the Beijing-Tianjin-Hebei Region and Yangtze River Economic Zone to involve new business segments such as transportation and municipal infrastructure, environmental engineering & alternative energy, special construction, urban comprehensive underground pipelines, sponge cities and featured theme parks. Once entering new business segments, the Company will participate in a new round of market competition and explore market based on new business model (i.e. PPP), and the overall resources allocation, investment progress management and receivables and profits of the Company will be affected. With a more competitive updated

version of “Four Beams and Eight Pillars” (四梁八柱) business system, MCC will enlarge research and development of its core technology in new business segments, utilize its traditional comparative advantages and core competitiveness to rapidly capture the markets and integrate resources in respect of technique, human resources and project management and unleash its synergistic effect so as to seize the opportunities and catch the new express train of development.

Risks Associated with Property Development Business Segment

With the end of fast growth period of the real estate industry and entering into a mature period of relatively-stable growth, the Company will encounter common challenges in the industry including clearing inventories, slowdown of overall growth in market scale, intensifying industrial competition, lowering profitability and intensifying diversification of regional home prices. All these factors will affect the operating performance of property development business segment of the Company and the Company will carry out in-depth financial policy study (i.e. interest rate), relevant taxation policies on the real estate industry and control mechanism of the real estate industry in different regions, in order to reasonably allocate the type and scale of development projects and improve profitability of the Company.

Risks Associated with International Operations

The operating businesses of the Company in various countries and areas are subject to local factors in respect of politics, laws, society, exchange rate and economy, etc., which may have certain risks to overseas businesses of the Company and even lead to the suspension of contracts, failing to fulfill the construction on schedule or occurrence of claims or disputes may occur. These will affect the revenue and profits of the overseas business of the Company. The Company will reasonably arrange the layout of the overseas markets, conduct in-depth study on policies, regulations and humanistic environment of the places where the projects are based and build a good cooperative relationship with local governments and property owners; establish a classified risk management mechanism before, during and after the overseas construction projects and formulate the emergency plans for the overseas construction projects in a bid to reduce the international operating risks.

V. THE COMPANY’S DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

(I) Competition Landscape and Development Trend of the Industry

The world economy recovers circuitously with deep adjustments and continues to grow at a slow and moderate pace. The global iron and steel industry entered into the third stage of deep adjustment. Energy prices and bulk commodity prices remain at low level. There are a number of instability and uncertainties in the external environment. Domestically, the year 2016 marks the beginning of the “Thirteenth Five-Year Plan” of the PRC, during which the downside pressure of the economy increases, market demands are insufficient and the competition among enterprises intensifies; structural and

cyclical problems were severe in economic operation. Certain contradictions and problems arise including the “elimination of overcapacity” of the iron and steel industry, dual adjustments in respect of the decreasing trend of the property development industry and the cyclical deceleration of growth, dynamic change and increasingly apparent economic risks, which pose new issues and challenges to the Company in terms of market expansion, structural adjustment, technological innovations and operation model.

However, there is no change in fundamental factor of China’s economy in the long run with high potential for economic development, room for manoeuvre and toughness, which is a strategic period full of opportunities. In particular, changes in internal conditions in terms of way of economic development and economic structure during the strategic period of opportunities provide the Company with good opportunities of unleashing its solid and profound strength in technology accumulated over 60 years and playing an important role in continuously developing and constructing with advanced technologies, and provide the Company with powerful momentum for enhancing quality and increasing efficiency, transformation and upgrade, transforming and improving traditional advantages, and recreating new advantages for development. The development trend of the iron and steel industry towards the reduction of production, greening, differentiation, intellectualization and internationalization will bring about numerous market opportunities involving high technology, high added value and sustained benefit that are relevant to renovation and upgrade, energy saving and environmental protection, high-end consultation and intelligent operating services for the Company; The Chinese government vigorously promotes collaboration between international capacity and equipment manufacture. There will be greater growth potential in iron and steel production capacity in other countries and regions such as Southeast Asia, India, the Middle East and Africa in the future, which provided the Company with new room to develop its international production cooperation. A series of initiatives for steady growth has been taken by the Chinese government to effectively cope with the increasing downward pressure, which will lead to a large number of effective investments. The annual average economic growth of China would have to reach a minimum of 6.5% during the period of the “Thirteenth Five-Year Plan”. A large batch of benchmark projects and major constructions will be promoted and implemented; the promotion of the national strategies, including the construction of “One Belt, One Road” (一帶一路), the synergistic development of the Beijing-Tianjin-Hebei Region, the construction of Yangtze River Economic Zone, as well as the new type of urbanization, would boost huge market demands in municipal transportation infrastructures, comprehensive urban developments, property constructions and environmental engineering & alternative energy, and featured theme parks. The huge potential demands in strategic emerging industrial markets, especially the markets of energy saving and environmental protection, green ecology, urban comprehensive underground pipelines, sponge cities, intelligent cities and beautiful villages, and their feature of speedy and continuous release, enable the Company to achieve the economies of scale on the basis of grasping the market opportunities and lay a solid market foundation to become a forerunner of emerging industries of high-end technology, high-end product and high-end market.

(II) Development Strategy of the Company

With “focusing on the core businesses in building a better MCC” as the vision of development, MCC put forward the new strategic positioning of “the national team for metallurgical construction, major force for fundamental construction as well as the forerunner of the emerging industries in China” under the New Normal. “Four Beams and Eight Pillars” is the business system and product positioning under such new positioning – an organic unity of the future direction of development, ambitious goal and realization of path – all of which are interlocking and resembling.

National team for metallurgical construction: In the 8 major segments and 19 business units of the iron and steel construction, the national team for metallurgical construction is the strongest team which is in line with world-class standards and gathers approximately 20,000 – 30,000 manpower. It persistently increases its research and investments, and targets major and front areas of metallurgical engineering to enhance innovative abilities in key segments and major areas and concentrate to make a breakthrough of a batch of key technologies and major equipment, thereby reaching world-leading level in iron and steel subject unit and system integration engineering. It improves overall level of the Company as a platform of metallurgical engineering construction and operation through integrating resources in respect of research and development, consulting, design, equipment, construction and operation inside and outside the Group, as well as integrating resources in respect of strategic customers, core equipment manufacturer and information service provider at home and abroad. Leveraging its benefits of integration throughout the industry chain with leading core technology, persistent reform and innovation capabilities and irreplaceable metallurgical construction, it strives to increase the global market share of metallurgical engineering from 60% to 80% within 3 years, to shoulder the state responsibility for leading China to a higher level of development of metallurgy, and to become the strongest, the best and the largest “national team” of metallurgical construction and operational services in the world.

The proportion of aggregate value of newly signed contracts for non-metallurgical business of the Company increased from 49.3% in 2012 to 83% in 2015. There are about 20,000 – 30,000 persons of construction technicians and technical staff engaged in metallurgical business. The business structure of the Company continues to optimize and new growth and competitive edges accelerate to be formed, thus achieving the business transformation towards non-metallurgical engineering business sector.

Major force of fundamental construction: Seizing the “One Belt, One Road” policy, tapping the huge potential in infrastructure construction across the countries and regions along the belt and road, grasping the changing trend of domestic consumption patterns and the requirements under the energy conservation and environmental protection policy, endeavoring to develop its differentiated business, enhancing the combination of techniques and capital, maximizing the market breakthrough in fundamental

construction business areas including property construction, transport and municipal infrastructure and mid- and high-end property through the strain brought by the combination of industry and finance, enhancing the market influence, realizing the target of achieving both scale and efficiency with biggest contribution ever and endeavoring for being the main force of the national fundamental construction and the implementation of “One Belt, One Road” strategy. Conforming with the requirements of national fundamental construction for the development of steel structure business, while enhancing the industrial steel structure, the Company strived to develop the steel structure of civil buildings and infrastructure with a focus on steel structure market including super high-rise construction, municipal construction, bridge construction, nuclear power construction and ocean construction, as well as the research and development of relevant technologies and sets of technology for industrialization of steel-structured residential buildings in order to improve the economic efficiency of steel-structured business and build a domestically-leading brand of MCC steel structure with international competitiveness.

The forerunner of the emerging industries: Keeping up with the pace of new industrialized, informationalized, urbanized and agricultural modernized national construction, the Company has been searching for the market opportunity and direction for improving the quality and efficiency of the economic development of emerging industries. Taking the market demand as a lead and driven by technical breakthroughs with capital strength and innovative business pattern as a “multiplier”, the Company has strived for the areas including urban underground integrated pipeline corridor, large theme park construction, sponge city, smart city, beautiful countryside, planning and consultation and environment and alternative energy (especially sewage treatment and pipe network operation, reusable water, solid waste treatment, soil remediation and energy conservation and emission reduction and photovoltaic power). By making pre-emptive moves, setting up strategies and carrying out large-scale development, deploying resources to organize and develop the research of key and common technology of emerging industries, and actively improving overall planning and implementation abilities, the Company has secured the leading position in the market with its technologically-leading advantages and has become the leading enterprise in high-end technique, high-end product and high-end market industry. It will strive for being the pioneer in the process of national new urbanized construction, especially the idea, design and construction of sponge city, beautiful countryside, smart city and urban pipeline corridor. All these support the transformation and development of the Company.

“Four beams” are engineering contracting, property development, equipment manufacture and resource development.

“Eight pillars” are metallurgical engineering, premium property construction, mine construction and development, mid- and high-end property, transport and municipal infrastructure, core technical equipment and MCC steel structure, environmental engineering & alternative energy and special engineering.

(III) Operation Plan

The Company expected to record revenue of RMB228 billion in 2015, and actually recorded revenue of RMB217.324 billion, completing 95.32% of the target. Uncompleting the operation plan was mainly affected by the downturn of the domestic and overseas macro-economics, adjustment of property and steel industries, and the significant decrease in price of resource products including ironstone, polysilicon and nickel, resulting in missing expectation of revenue of relevant business. The Company will continue to expand markets vigorously, strengthen contract valuation and audit, organize all resources scientifically, strictly control operation risks, and perform contracts as agreed, to promote the construction production smoothly. Meanwhile, the Company will accelerate the pace of project settlement, record revenue and receive capital timely, and strive to reach the operation goal for the year 2016.

The Company expects to record revenue of RMB230 billion in 2016.

VI. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Analysis on Major Operating Business

Analysis on the changes in the relevant items in income statement and cash flow statement

Currency: RMB'000

Items	Amount for the current year	Amount for the prior year	Change in proportion (%)
Operating revenue	217,323,972	215,785,772	0.71
Operating costs	188,817,361	187,884,556	0.50
Sales expenses	1,512,225	1,500,231	0.80
Administrative expenses	10,067,076	9,108,267	10.53
Financial expenses	2,526,563	4,022,637	-37.19
Net cash flows generated from operating activities	15,357,382	14,969,027	2.59
Net cash flows generated from investing activities	-5,602,596	-3,204,972	N/A
Net cash flows generated from financing activities	-9,719,382	-14,431,574	N/A
Research & Development expenses	5,179,468	4,786,187	8.22

1. Analysis on Revenue and Costs

(1) Analysis on the factors causing the changes in business revenue

The Company's financial position and business performance was subject to the combined impact of multiple factors, including the changes in international and domestic macro-economy and the state financial and currency policy and the development status of the industry in which the Company was involved and the implementation of adjustment and control measures of the industry:

1) Trend of macro-economy internationally and domestically

All of the business segments of the Company were affected by the international and domestic macroeconomic trends might have had an impact on business segments of the Company, including procurement, production and sales, thereby causing fluctuations in the Company's business performance. The Company's business revenue mainly came from the domestic market and so the Company's business performance would vary during different domestic economic cycles.

2) Changes in the policies of the industry in which the Company was involved and in the demands of its domestic and overseas markets

The Company's engineering contracting, property development, equipment manufacture and resource development businesses were all influenced by the policies of the industry in which the Company was involved. In recent years, the adjustments to the business fields and the regional market strategies have been guided, to a certain extent, by the restructure and upgrade of the steel and iron industry pushed forward by the PRC, the implementation of "Made in China 2025" (《中國製造2025》), a nation strengthening strategy focusing on manufacturing industries, the implementation of series of supporting policies focusing on resource development and implementation of "destocking", a supporting policy focusing on the property industry, periodic fluctuations of the industries and changes in the operating situation of upstream and downstream enterprises of the industries, and thereby influencing the Company's internal structure with a further influence on the Company's financial position.

Both Items 1) and 2) above were the major risk factors that impacted the Company's performance for 2015

3) Changes in the State's tax revenue policy and exchange rates

Impact from changes in the tax revenue policy

The Company's financial position and operating results were influenced by changes in the State's tax revenue policy through the impact of tax liabilities of the Company and its subsidiaries.

The preferential tax policy of China's Western Development Program being currently enjoyed by some of the Company's subsidiaries, the preferential tax policies for hi-tech enterprises, resources tax, property development tax, and the "to replace the business tax with a value-added tax" for the construction industry may undergo some changes following the changes made in the PRC's tax policies. Changes in the relevant preferential tax policies would affect the Company's financial performance.

Impact of the fluctuation in exchange rate and currency policy

Part of the Company's business revenue came from overseas markets. Changes in the exchange rates may bring exchange rate risks towards the Company's overseas business revenue and currency settlement.

In addition, adjustment in banks' deposit reserve ratio and changes in deposit interest rates and lending rates would impact on the Company's financing costs and interest income.

4) Overseas tax revenue policies and their changes

The Company has business operations in many overseas countries and regions and pays various taxes. Since the tax policies environments are different in the various places and the regulations of the various taxes, including income tax of enterprises, tax of foreign contractors, individual income tax, capitation tax and interest tax, are complicated and diversified, the Company's overseas business may incur corresponding risks due to tax policies and the changes thereof. Meanwhile, the tax treatment for transactions and matters related to certain operating activities may require enterprises to make corresponding judgment because of the uncertainty of such tax treatment.

5) Changes in major raw materials prices

The Company's engineering contracting, resource development and property development businesses require raw materials including steel, wood, cement, explosive initiators, waterproof materials, geometrical and additive agents while the Company's equipment manufacture business require steel and electronic parts. Changes in the prices of the afore-mentioned raw materials due to factors such as supply, market conditions and costs of materials will impact the Company's costs of the corresponding raw materials and consumables.

6) Construction Subcontracting Expenses

The Company may, according to the different situations of engineering contracting projects, subcontract non-crucial construction parts to subcontractors. On the one hand, subcontracting boosted the Company's capacity to undertake large-scale projects and to fulfill contracts flexibly. On the other hand, the management of subcontractors and the control of subcontracting costs may also affect profit on projects.

7) Operation of Subsidiaries and Key Projects

As the price of nickel decreased substantially during the Reporting Period, the Company's Ramu Nico Laterite Mine Project in Papua New Guinea remained loss-making; as the price of polysilicon remained low during the Reporting Period, the polysilicon business of the Company continued to generate loss. The afore-mentioned issues posed a greater impact on the operating performance of the Company in 2015. The final result of the third party's auditing of the Western Australia SINO Iron Ore EPC General Contract Project, the progress of the Project of MCC Real Estate in Xiaguan District of Nanjing, the recovery of payment for contract work from the government and the recovery of payment from projects of some civilian-run steel and iron enterprises will significantly affect the future financial performance of the Company.

8) Enhancement in the Quality of Operational Management

The quality of operational management will significantly affect the results of the Company. The Company will continue to “Focus On Major Businesses of MCC” (“聚焦中冶主業”), strive to further improve the corporate governance and operation of internal control in order to strengthen the operation management and risk control, raise management quality and effectiveness, and perfect the assessment and incentive systems of the Company. Through the operation of “Big Environment, Big Platform, Big Market, Big Projects and Big Customers” (“大環境、大平台、大市場、大項目、大客戶”), the Company’s energy and creativity will be stimulated through reform and innovation, as well as scientific decision-making. Whether these management goals can be effectively implemented will also influence, to quite large extent, the improvement in the operating results of the Company.

9) Uneven Distribution of Revenue

The Company’s operating revenue mainly comes from the engineering contracting business. Since the income of such business is affected by factors such as government’s project approval, public holidays and the “freeze period” in the north, the business revenue of the Company is usually higher in the second half of the year than the first half, leading to an uneven distribution of income.

(2) *Information of Major Customers*

During the Reporting Period, the operating revenue obtained from the top five major customers of the Company accounted for no more than 10% of the total operating revenue of the Company. (For details, please refer to Note XI(V) 1 to the consolidated financial statements)

(3) Major Business by Segment, by Products and by Regions

Unit: RMB'000

Situation of Major Business by Segment						
Segment	Operating revenue	Operating costs	Gross Margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	Increase or decrease in the gross margin as compared to that of last year (%)
Engineering contracting	186,304,107	162,942,147	12.54	4.42	3.98	Increased by 0.37 percentage point
Property development	19,441,290	15,534,346	20.10	-14.93	-17.20	Increased by 2.20 percentage points
Equipment manufacture	9,270,661	8,013,560	13.56	-9.42	-10.82	Increased by 1.36 percentage points
Resource development	3,015,008	3,295,274	-9.30	-29.30	-15.48	Decreased by 17.87 percentage points

Unit: RMB'000

Situation of Major Business by Regions						
Segment	Operating revenue	Operating costs	Gross Margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	Increase or decrease in the gross margin as compared to that of last year (%)
PRC	201,181,659	173,321,978	13.85	-1.18	-1.82	Increased by 0.56 percentage point
Other countries/regions	16,142,313	15,495,383	4.01	32.40	36.50	Decreased by 2.88 percentage points

Note: The segment revenue and costs are figures before inter-segment eliminations.

Explanation on Major Business by Segment

1) Engineering contracting business

Engineering contracting business is the traditional core business of the Company and is the major source of income and profits of the Company at present. The gross profit margin of the engineering contracting business for the year 2015 and 2014 were 12.54%, 12.17%, respectively, with a year-on-year increase of 0.37 percentage point.

2) Property development business

For the 2015 and 2014, the total gross profit margins of the Company's property development business were 20.10% and 17.90%, respectively, with a year-on-year increase of 2.20 percentage points.

3) Equipment manufacture

The Company's equipment manufacture business mainly included metallurgical equipment, steel structures and other metal products. For the year 2015 and 2014, the gross profit margin of the Company's equipment manufacture business were 13.56% and 12.20%, respectively, representing an increase of 1.36 percentage points as compared with the same period last year.

4) Resource development

The Company's resource development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司) were mainly engaged in the mining business while Luoyang China Silicon Hi-tech Corporation (洛陽中硅高科技有限公司), the polysilicon manufacturing enterprise, was mainly engaged in the processing business. For the year 2015 and 2014, the gross profit margin of the Company's resource development business were -9.30% and 8.57%, respectively, representing a decrease of 17.87 percentage points as compared with the same period last year.

Explanation on Major Business by Region

For the years 2015 and 2014, the Company realised overseas operating revenue of RMB16,142,313,000 and RMB12,191,753,000 respectively. The revenue mainly came from the steel factory project in Ha Tinh, Vietnam, the engineering contracting business including the Kuwait University Town project, the Singapore property development business, the Ramu Nico Laterite Mine Project in Papua New Guinea, and the resource development business in Saindak Copper-Gold Mine in Pakistan.

(4) *Table of Analysis on Costs*

Unit: RMB'000

Segment	Situation by Segment				Percentage change in the amount in the current period as compared to that in the same period in the previous year (%)	Remarks
	Amount in the Current Period	Proportion of the amount in the current period with respect to the total costs (%)	Amount in the same period in the previous year	Proportion of the amount in the previous year with respect to the total costs (%)		
Engineering Contracting	162,942,147	84.82	156,709,625	81.98	3.98	–
Property Development	15,534,346	8.09	18,761,768	9.81	-17.20	–
Equipment Manufacture	8,013,560	4.17	8,985,863	4.70	-10.82	–
Resource Development	3,295,274	1.72	3,898,858	2.04	-15.48	–

Note: the statistics of segment costs is before inter-segment eliminations.

(5) *Information of Major Suppliers*

During the Reporting Period, the purchase amount from the top five suppliers of the Company accounted for no more than 10% of the total operating costs of the Company.

2. Expenses

(1) *Marketing and sales expenses*

The Company's marketing and sales expenses mainly include staff remuneration, travelling expenses, transportation costs and advertising expenses. The Company's marketing and sales expenses for the years 2015 and 2014 were RMB1,512,225,000 and RMB1,500,231,000 respectively, with a year-on-year increase of 0.80%. The proportion of marketing and sales expenses to operating revenue in the same period for 2015 and 2014 were 0.70% and 0.70% respectively, which remained stable as compared to 2014.

(2) *Administrative expenses*

The Company's administrative expenses mainly include staff remuneration, research and development costs, depreciation expenses and office expenses. The Company's administrative expenses for the years 2015 and 2014 were RMB10,067,076,000 and RMB9,108,267,000 respectively, with a year-on-year increase of 10.53%. The proportion of administrative expenses to operating revenue in the same period for 2015 and 2014 were 4.63% and 4.22% respectively, with a 0.41 percentage-point increase.

(3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange rate gains or losses, banks' handling fees, etc. incurred in operating business. The Company's financial expenses for the years 2015 and 2014 were RMB2,526,563,000 and RMB4,022,637,000 respectively, with a year-on-year decrease of 37.19%. The proportion of financial expenses to operating revenue in the same period for 2015 and 2014 with respect to year-on-year operating revenue were 1.16% and 1.86% respectively, with a 0.70 percentage-point decrease.

3. Research and Development Expenditure

The research and development expenditure of the Company are as follows:

Unit: RMB'000

Research and development expenditure for the current period	5,177,983
Capitalised research and development expenditure for the current period	1,485
Total research and development expenditure	5,179,468
Percentage of total research and development expenditure over operating income(%)	2.38
Percentage of capitalised research and development expenditure(%)	0.03

4. Cash Flows

The cash flows of the Company are as follows:

Unit: RMB'000

Items	For the year 2015	For the year 2014
Net cash flows generated from operating activities	15,357,382	14,969,027
Net cash flows generated from investing activities	-5,602,596	-3,204,972
Net cash flows generated from financing activities	-9,719,382	-14,431,574

(1) *Operating activities*

The Company's net cash flows generated from operating activities for the years 2015 and 2014 amounted to 15,357,382,000 and 14,969,027,000 respectively. For the years 2015 and 2014, the cash inflow generated from operating activities mainly came from the cash received from sales of products and provision of services, accounting for 98.77% and 97.63% respectively with respect to the cash inflow generated from operating activities.

The Company's cash outflow generated from operating activities mainly consisted of cash paid out for commodities purchased and the labour services received, cash paid to and for staff and payment for various taxes, etc. For the years 2015 and 2014, the respective proportions of such cash outflow with respect to the cash outflow generated from operating activities accounted for 82.27%, 8.39%, 5.47%, and 80.32%, 8.17%, 5.32% respectively.

(2) *Investing activities*

The Company's cash inflow generated from investing activities mainly consisted of cash received from recovered investments, investment profits obtained and disposal of assets. For the years 2015 and 2014, the respective proportions of such cash inflow with respect to the cash inflow generated from operating activities accounted for 20.27%, 23.40%, 35.99% and 7.05%, 10.19%, 41.27% respectively. Cash outflow mainly included cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets and cash paid for investments. For the years 2015 and 2014, such cash outflow accounted for 50.53%, 28.57% and 68.02%, 4.21% respectively with respect to the cash outflow generated from investment activities.

For the years 2015 and 2014, the Company's net cash flows generated from investing activities amounted to RMB-5,602,596,000 and RMB-3,204,972,000 respectively. The Company's investing activities mainly involved the engineering contracting and property development business.

(3) *Financing activities*

The Company's cash inflow generated from financing activities mainly consisted of cash received from obtaining loans and accounted for 90.87% and 99.86% respectively with respect to the cash inflow generated from financing activities for the years 2015 and 2014. The Company's cash outflow generated from financing activities mainly consisted of cash paid for debt repayment and cash paid for the distribution of dividend, profits or interest repayments, accounting for 93.14% and 6.63%, and 91.85% and 7.55% respectively of the cash outflow generated from financing activities for the years 2015 and 2014.

For the years 2015 and 2014, the Company's net cash flows generated from financing activities were RMB-9,719,382,000 and RMB-14,431,574,000 respectively. Large outflow from financing activities was mainly due to the fact that the cash paid for repaying the current debt was greater than the cash obtained from borrowings.

(II) Analysis on Assets and Liabilities

Assets and Liabilities

Unit: RMB'000

Item name	Amount at the end of the current period	Proportion of the amount at the end of the current period with respect to the total assets /total liabilities (%)	Amount at the end of the previous period	Proportion of the amount at the end of the previous period with respect to the total assets /total liabilities (%)	Percentage change in the amount at the end of the current period as compared to that at the end of the previous period (%)
Current assets:	275,558,793	80.16	247,086,564	75.80	11.52
Currency funds	33,730,706	9.81	33,409,480	10.25	0.96
Accounts receivable	63,663,109	18.52	55,799,282	17.12	14.09
Other receivables	29,056,798	8.45	19,768,319	6.06	46.99
Inventory	115,305,237	33.54	106,415,992	32.65	8.35
Non-current assets:	68,204,026	19.84	78,891,915	24.20	-13.55
Long-term receivables	7,882,521	2.29	17,383,285	5.33	-54.65
Fixed assets	30,154,218	8.77	32,874,747	10.08	-8.28
Intangible assets	14,527,346	4.23	14,967,560	4.59	-2.94
Total assets	343,762,819	100.00	325,978,479	100.00	5.46
Current liabilities:	235,474,624	86.38	217,564,185	81.19	8.23
Short-term borrowings	36,798,152	13.50	36,461,263	13.61	0.92
Accounts payable	93,413,988	34.27	77,722,163	29.01	20.19
Advance receipts	30,139,959	11.06	33,978,850	12.68	-11.30
Other payables	16,294,450	5.98	15,888,498	5.93	2.56
Non-current liabilities:	37,133,171	13.62	50,389,786	18.81	-26.31
Long-term borrowings	19,259,931	7.07	21,329,884	7.96	-9.70
Bonds payable	10,972,486	4.03	21,945,923	8.19	-50.00
Total liabilities	272,607,795	100.00	267,953,971	100.00	1.74

1. Analysis on the structure of assets and liabilities

(1) Analysis on the asset structure

As at 31 December 2015 and 31 December 2014, the total assets of the Company were RMB343,762,819,000 and RMB325,978,479,000 respectively.

As a consolidated group which owns engineering contracting and property development as its main business, current assets are the main constituent of the Company's assets. As at 31 December 2015 and 31 December 2014, the proportions of the Company's current assets with respect to the total assets were 80.16% and 75.80% respectively. Current assets mainly included currency funds, notes receivables, accounts receivables, prepayments, other receivables, inventory, etc. Non-current assets mainly included long-term receivables, fixed assets, projects under construction and intangible assets, etc.

Currency funds

The Company's currency funds consisted of cash on hand, bank deposits and other currency funds. Based on the characteristics of the business in which the Company was involved, the Company usually maintained appropriate quantities of currency funds so as to maintain the needs for production and operation.

As at 31 December 2015 and 31 December 2014, the balance of the Company's currency funds were RMB33,730,706,000 and RMB33,409,480,000 respectively, accounting for 12.24% and 13.52% respectively with respect to with use restrictions current assets.

As at 31 December 2015 and 31 December 2014, the Company's currency funds with use restrictions were RMB4,994,328,000 and RMB4,838,303,000 respectively, accounting for 14.81% and 14.48% respectively with respect to the currency funds. The currency funds with use restrictions mainly included guarantee deposits for bills of acceptance, deposits for letters of guarantee and blocked deposits, with an increase of 3.22% compared to that of the previous year. This was mainly due to the increase in the guarantee deposits for bills of acceptance.

Accounts receivable

The Company's accounts receivable mainly included construction costs, products sales proceeds, costs of design consulting and technical services, etc..

As at 31 December 2015 and 31 December 2014, the Company's net accounts receivable were RMB63,663,109,000 and RMB55,799,282,000 respectively, accounting for 23.10% and 22.58% respectively with respect to the current assets. Net accounts receivable increased by 14.09%. The main cause for the increase in the accounts receivable was the growth of the operating scale and the extension of payment term of property owners. The Company will continue to gradually reduce the proportion of accounts receivable by selecting quality customers, adjusting the commercial scale and further strengthening the implementation of recovering accounts receivable.

As at 31 December 2015, and based on original book values, the age for 78.32% of the Company's accounts receivable was within 2 years (2 years inclusive) and the age for 59.20% of the Company's accounts receivable was within 1 year (1 year inclusive). The age of accounts receivable is related to the characteristics of the Company's business, operating scale and settlement cycle, etc.

The Company dealt with the potential risk of bad debt through the life-cycle management of accounts receivable, giving full consideration as to the nature and recoverability of the accounts receivable and making provision for bad debts, cautiously reflecting the quality of the Company's assets. As at 31 December 2015 and 31 December 2014, the balance of the Company's provisions for bad debts of accounts receivable were RMB9,451,939,000 and RMB7,669,247,000 respectively, accounting for 12.93% and 12.08% respectively with respect to the original face value of the accounts receivable.

Other receivables

The Company's other receivables mainly included performance guarantees, bid guarantees, guarantee deposits for project cooperation and reservation fund, etc.

As at 31 December 2015 and 31 December 2014, the Company's net amount of other receivables were RMB29,056,798,000 and RMB19,768,319,000 respectively, accounting for 10.54% and 8.00% respectively with respect to the current assets. Net amount of other receivables increased by 46.99%, mainly due to the increase in the equity transfer fees, investment fees, and guarantee deposits, etc. pending to be recovered.

As at 31 December 2015, and based on original book values, the age for 82.98% of the Company's other receivables was within 2 years (2 years inclusive) and the age for 63.40% of the Company's other receivables was within 1 year (1 year inclusive). The Company made corresponding provisions for bad debts for other receivables with risk of bad debts. As at 31 December 2015 and 31 December 2014, the balance of the provisions for bad debts of other receivables were RMB2,449,911,000 and RMB1,922,327,000 respectively, accounting for 7.78% and 8.86% respectively with respect to the original face values of other receivables.

Inventory

The Company's inventory mainly consisted of incomplete and unsettled engineering and construction works, costs of property development, property development products, raw materials, articles under production and commodities in inventory, etc.. The Company's inventory structure reflected the characteristics of the engineering contracting, property development, equipment manufacture and resource development businesses in which the Company was engaged.

As at 31 December 2015 and 31 December 2014, the Company's net inventory were RMB115,305,237,000 and RMB106,415,992,000 respectively, accounting for 41.84% and 43.07% respectively with respect to the current assets. The net inventory increased by 8.35%.

As at 31 December 2015, the Company's incomplete and unsettled engineering and construction works accounted for 45.01% of the total original face value of inventory; and the costs of property development and property development products accounted for 48.36% of the total original face value of inventory. The Company made corresponding provisions for a decrease in price of inventory. As at 31 December 2015 and 31 December 2014, the Company's provisions for a decrease in price inventory were RMB1,885,745,000 and RMB1,387,315,000 respectively, accounting for 1.61% and 1.29% respectively with respect to the original face values of inventory at the end of the respective periods.

Long-term receivables

The Company's long-term receivables mainly included such receivables with an agreed term of more than one year pursuant to the contracts.

As at 31 December 2015 and 31 December 2014, the Company's net long-term receivables were RMB7,882,521,000 and RMB17,383,285,000 respectively, accounting for 11.56% and 22.03% respectively with respect to non-current assets. The net long-term receivables decreased by 54.65% mainly due to the Company strengthened collection construction fees including receivables, derived indemnificatory housing by various means and construction of urban infrastructure and other BT business.

Fixed assets

As at 31 December 2015 and 31 December 2014, the Company's net fixed assets were RMB30,154,218,000 and RMB32,874,747,000 respectively, accounting for 44.21% and 41.67% respectively with respect to the non-current assets. The Company's fixed assets mainly included buildings, machinery equipment and transportation equipment, etc.

Intangible assets

As at 31 December 2015 and 31 December 2014, the total face values of the Company's intangible assets were RMB14,527,346,000 and RMB14,967,560,000 respectively, accounting for 21.30% and 18.97% respectively with respect to noncurrent assets. The Company's intangible assets mainly included land use rights, rights of franchise and rights to use, patents, proprietary technology, etc.

(2) *Analysis on the structure of liabilities*

As at 31 December 2015 and 31 December 2014, the current liabilities accounted for 86.38% and 81.19% respectively with respect to total liabilities and the non-current liabilities accounted for 13.62% and 18.81% respectively with respect to the total liabilities.

Short-term borrowings

The Company's short-term borrowings mainly consisted of borrowings on credit and guaranteed borrowings from commercial banks and other financial organizations. As at 31 December 2015 and 31 December 2014, the balance of the Company's short-term borrowings were RMB36,798,152,000 and RMB36,461,263,000 respectively, with a year-on-year increase of 0.92%. The amount of the short-term basically remained stable.

Accounts payable and other payables

Accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors. Other payables mainly included guarantee deposits, down payments and leasing fee, etc.

As at 31 December 2015 and 31 December 2014, the Company's accounts payable and other payables were RMB93,413,988,000 and RMB16,294,450,000, RMB77,722,163,000 and RMB15,888,498,000 respectively, accounting for 34.27%, 5.98% and 29.01%, 5.93% respectively with respect to total liabilities.

The increase in the accounts payable was mainly due to the increase in the subcontracting and engineering costs payable. The decrease in other payables was mainly due to the increase in the guarantee and deposits payable.

Advance receipts

Advance receipts mainly included advance receipts under construction contracts, reserves for material costs, cost for settled but incomplete works and payments for pre-sale of apartments.

As at 31 December 2015 and 31 December 2014, the balance of the Company's prepayment were RMB30,139,959,000 and RMB33,978,850,000 respectively, accounting for 11.06% and 12.68% respectively with respect to the total liabilities. As at 31 December 2015, the amount prepayment reduced by 11.30% as compared to that as at 31 December 2014, mainly because of the decrease in the advance receipts of project fees.

Long-term borrowings and bonds payable

The Company's long-term borrowings mainly consisted of borrowings on credit borrowings on mortgage and pledged borrowings. As at 31 December 2015 and 31 December 2014, the balance of the Company's longterm borrowings were RMB19,259,931,000 and RMB21,329,884,000 respectively, accounting for 7.07% and 7.96% respectively with respect to total liabilities.

As at 31 December 2015 and 31 December 2014, the balance of the Company's bond payable were RMB10,972,486,000 and RMB21,945,923,000 respectively, accounting for 4.03% and 8.19% respectively with respect to total liabilities.

2. Analysis on solvency

The indicators of major short-term solvency calculated based on the Company's audited financial statements were as follows:

Unit: RMB'000

Item	31 December 2015	31 December 2014
Current Ratio (x)	1.17	1.14
Quick Ratio (x)	0.68	0.65
Asset-liability Ratio (consolidated)	79.30%	82.20%

Items	For the year 2015	For the year 2014
EBIT	11,112,541	11,405,586
Interest Protection Multiples	2.80	2.43

Item	31 December 2015	31 December 2014
Total Liability	272,607,795	267,953,971
Total Asset	343,762,819	325,978,479
Asset-liability Ratio (consolidated)	79.30%	82.20%

(1) The year-on-year rise in the indicators for the flow of assets

As at 31 December 2015 and 31 December 2014, the current ratios of the Company were 1.17 and 1.14 respectively and the quick ratios were 0.68 and 0.65 respectively, with a slight rise in asset liquidity.

(2) Year-on-year consolidated asset liability ratio decreased

As at 31 December 2015 and 31 December 2014, the Company's consolidated asset liability ratios were 79.30% and 82.20% respectively, with a year-on-year decrease of 2.90 percentage points and a rise in the overall solvency.

(3) Year-on-year rise in interest protection multiple

For 2015 and 2014, the Company's interest protection multiples were 2.80 and 2.43 respectively, with a year-on-year rise of 0.37 times. The Company's solvency for interest-bearing debts was strengthened to an extent.

(4) Smooth financing channels

The Company has been maintaining long-term business relationships with several overseas and domestic major commercial and strategic banks and other financial institutions. It has been also maintaining smooth financing channels with good credit record and ratings by banks. Meanwhile, the Company is of good standing and has issued multiple short-term financing coupons and mid-term notes. It has strong financing capability.

The Company will also adopt the following measures to continue to enhance its shortterm solvency and the security of its financial structure: enhance the level of fund operation and management and operating efficiency, accelerate the recovery of funds, improve the cash flows of operating activities continually, scientifically allocate resources and reasonably adjust asset structure; enhance the level of operating and management continually, facilitate, in depth, the measures of reducing cost increasing efficiency, increase the operating balance, tamp financial strength and safeguard solvency.

3. *Analysis on capability of asset turnover*

During the Reporting Period, the indicators for the Company's capability of asset turnover were as follows:

Unit: times/year

Items	For the year 2015	For the year 2014
Total Assets Turnover Ratio	0.65	0.67
Receivables Turnover Ratio	3.18	3.53
Inventory Turnover Ratio	1.68	1.74

(1) Total Assets Turnover Ratio

For 2015 and 2014, the Company's total assets turnover ratios were 0.65 times and 0.67 times respectively, with a slight decrease during the Reporting Period. This was mainly due to the increment in the Company's operating revenue during the Reporting Period was lower than that of total assets.

(2) Receivables Turnover Ratio

For 2015 and 2014, the Company's receivables turnover ratios were 3.18 times and 3.53 times respectively, with a slight decrease during the Reporting Period. This was mainly due to the increase in the scale of the Company's accounts receivable under the influence of the changes in the settlement cycle and business mode of the engineering contracting business.

(3) Inventory Turnover Ratio

For 2015 and 2014, the Company's inventory turnover ratios were 1.68 times and 1.74 times respectively, with a slight decrease during the Reporting Period. This was mainly due to the higher speed of growth in inventory than that in operating costs.

(III) Analysis on the Operational Information in the Construction Industry

1. *Inspection and Acceptance on Completion of Construction Projects during the Reporting Period*

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure Construction	Metallurgical Engineering	Others	Total
Number of projects	2,526	654	5,269	1,347	9,796
Total amount	<u>22,245,991</u>	<u>6,403,819</u>	<u>20,860,463</u>	<u>4,780,367</u>	<u>54,290,640</u>

Unit: RMB'000

Project Region	Domestic	Overseas	Total
Number of projects	9,671	125	9,796
Total amount	<u>51,775,911</u>	<u>2,514,729</u>	<u>54,290,640</u>

2. *Projects in construction during the Reporting Period*

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure Construction	Metallurgical Engineering	Others	Total
Number of projects	1,990	557	3,643	1,663	7,853
Total amount	<u>60,632,467</u>	<u>14,719,432</u>	<u>47,337,468</u>	<u>15,945,496</u>	<u>138,634,863</u>

Unit: RMB'000

Region of Project	Domestic	Overseas	Total
Number of projects	7,661	192	7,853
Total amount	<u>129,259,401</u>	<u>9,375,462</u>	<u>138,634,863</u>

3. Overseas Projects during the Reporting Period

Unit: RMB'000

Region of Project	Number of projects	Total amount
Asia	298	11,984,782
Africa	55	1,970,987
South America	13	100,274
Europe	15	214,747
Oceania	13	50,031
North America	4	2,287
Total	<u>398</u>	<u>14,323,108</u>

4. Summary of Completed and Unsettled Constructions among the Inventory

Unit: RMB'000

Project	Accumulated Contract Costs	Accumulated Recognized Profits	Estimated Loss	Accumulated Settlements	Balance of Completed and Unsettled Constructions
Amount	<u>595,257,584</u>	<u>47,714,476</u>	<u>1,207,475</u>	<u>590,218,837</u>	<u>51,545,748</u>

5. Financing Arrangements of the Company

(1) Overall Financing Arrangement

During the Reporting Period, the balance of the investments made by the Company was RMB110,542 million, representing a decrease of 0.83%. In particular, the balance of the debt financing amounted to RMB100,657 million (of which RMB711 million was the balance of finance lease), whilst that of financing by other equity instruments was RMB9,885 million.

Subsidiaries of the Group take responsibility of their own cash flow forecast. On the basis of summarizing cash flow forecasts from subsidiaries, the treasury department at the headquarters continuously monitors both short-term and long-term financing needs on the Group level in order to obtain adequate cash reserve and quoted securities. Meanwhile, the treasury department will constantly monitor and see any non-compliance of borrowings and obtain sufficient loan facilities from major financial institutions to meet both short-term and long-term financing needs, and lower the liquidity risk.

(2) *Debt financing*

During the Reporting Period, the balance of debt financing amounted to RMB100,657 million, whereas the liabilities due within one year amounted to RMB69,897 million and the long-term interest-bearing liabilities amounted to RMB30,760 million. In particular:

Long-term borrowings of RMB28,689 million: the long-term borrowings due within one year, the long-term borrowings due in the next one to two years, the long-term borrowings due in the next two to five years and the long-term borrowings due in the next 5 years or above amounted to RMB9,429 million, RMB6,685 million, RMB8,635 million and RMB3,940 million, respectively.

Bonds payable of RMB14,232 million: bonds payable due within one year, bonds payable due in the next one to two years and the bonds payable due in the next two to five years amounted to RMB3,259 million, RMB7,769 million and RMB3,204 million, respectively.

The interest bearing debts at fixed rates expose the Company to fair value interest-rate risk, relating to bank borrowings at fixed rates and bonds payable at fixed rates, etc. The interest bearing debts at floating rates expose the Company to cash flow interest-rate risk. The Company chooses the relative proportion of borrowing contracts with floating rates and those with fixed rates according to current market conditions. To monitor the impact of interest rate fluctuations, the Company continually assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. Any rise in interest rate would increase the cost of new borrowings and interest installments of existing loans with floating interest arrangement, and generate significant negative financial effects on the Company's overall financial performance. The management would make timely strategic adjustments according to latest market conditions; the adjustments of reducing interest rate risk may include but not limited to making interest rate swap arrangements. For the current year and 2014, the Company has not involved in any interest rate swap arrangements.

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 currencies denominated transactions. The Company's exposure to foreign exchange risk relates principally to United States Dollars ("USD"). To monitor the impact of exchange rate fluctuations, the Company continually assesses and monitors its exposure to foreign exchange risk. However, management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arising. The management is of the view that the reasonable fluctuation of the exchange rate in the near future will not have a significant impact on the operating results of the Company. The Company currently does not have a foreign exchange hedging policy.

(IV) Disposal of Material Assets and Equity

During the Reporting Period, the 100% equity interests of Nanjing Linjiang Yujing Real Estate Development Co., Ltd. (南京臨江禦景房地產開發有限公司), Nanjing Zhengda Sanjiaozhou Real Estate Co., Ltd. (南京證大三角洲置業有限公司), Nanjing Shuiqingmuhua Real Estate Company Limited (南京水清木華置業有限公司), Nanjing Thumb Development Company Limited (南京大拇指商業發展有限公司), Nanjing Himalayas Real Estate Company Limited (南京喜瑪拉雅置業有限公司), Nanjing Zendai Kuanyu Real Estate Company Limited (南京證大寬域置業有限公司) and Nanjing Radisson Real Estate Company Limited (南京麗笙置業有限公司), each of them a subsidiary of MCC Real Estate (中冶置業), held by the MCC Real Estate Co., Ltd., a subsidiary of the Company, were transferred to the third parties. The gains from the disposal of such interests after tax amounted to RMB1.007 billion.

VII. CONSOLIDATED AND THE COMPANY'S BALANCE SHEET

Consolidated Balance Sheet

2015.12.31

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	33,730,706	33,409,480
Financial assets at fair value through profit or loss	1,410,011	555
Derivative financial assets	–	18,532
Bills receivable	11,360,670	9,977,574
Accounts receivable	63,663,109	55,799,282
Prepayments	13,698,473	16,510,723
Interest receivable	11,644	11,505
Dividends receivable	38,045	119,234
Other receivables	29,056,798	19,768,319
Inventories	115,305,237	106,415,992
Non-current assets due within one year	7,054,781	4,867,780
Other current assets	229,319	187,588
Total Current Assets	275,558,793	247,086,564
Non-current Assets:		
Available-for-sale financial assets	1,680,152	1,643,092
Held-to-maturity investments	20	20
Long-term receivables	7,882,521	17,383,285
Long-term equity investments	3,915,025	3,939,211
Investment properties	2,170,276	1,864,386
Fixed assets	30,154,218	32,874,747
Construction in progress	3,578,915	2,280,214
Materials for construction of fixed assets	73,695	47,617
Intangible assets	14,527,346	14,967,560
Goodwill	173,733	270,448
Long-term prepayments	204,705	167,767
Deferred tax assets	3,733,420	3,316,126
Other non-current assets	110,000	137,442
Total Non-current Assets	68,204,026	78,891,915
TOTAL ASSETS	343,762,819	325,978,479

Consolidated Balance Sheet
2015.12.31

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Liabilities:		
Short-term borrowings	36,798,152	36,461,263
Derivative financial liabilities	14,339	—
Bills payable	15,641,626	11,808,491
Accounts payable	93,413,988	77,722,163
Receipts in advance	30,139,959	33,978,850
Employee benefits payable	2,061,162	1,987,771
Taxes payable	6,057,841	6,399,466
Interest payable	752,120	970,589
Dividends payable	791,058	504,931
Other payables	16,294,450	15,888,498
Non-current liabilities due within one year	13,396,832	11,875,968
Other current liabilities	20,113,097	19,966,195
Total Current Liabilities	235,474,624	217,564,185
Non-current Liabilities:		
Long-term borrowings	19,259,931	21,329,884
Bonds payable	10,972,486	21,945,923
Including: Preference share	—	—
Perpetual bond	—	—
Long-term payables	892,237	864,818
Long-term employee benefits payable	3,982,614	3,944,693
Special payables	14,981	22,501
Provisions	232,644	208,154
Deferred income	1,452,973	1,552,840
Deferred tax liabilities	325,305	481,873
Other non-current liabilities	—	39,100
Total Non-current Liabilities	37,133,171	50,389,786
TOTAL LIABILITIES	272,607,795	267,953,971

Consolidated Balance Sheet
2015.12.31

All amounts in RMB'000

Items	Closing balance	Opening balance
Shareholders' Equity		
Share capital	19,110,000	19,110,000
Other equity instruments	9,884,950	—
Including: Preference share	—	—
Perpetual bond	9,884,950	—
Capital reserve	17,876,690	17,826,218
Less: Treasury shares	—	—
Other comprehensive income	192,320	583,421
Special reserve	12,550	12,550
Surplus reserve	698,872	529,549
Retained profits	12,782,248	9,275,519
Total shareholders' equity attributable to equity holders of the Company	60,557,630	47,337,257
Non-controlling interests	10,597,394	10,687,251
TOTAL SHAREHOLDERS' EQUITY	71,155,024	58,024,508
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	343,762,819	325,978,479

The Company's Balance Sheet
2015.12.31

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	2,727,674	7,025,950
Accounts receivable	492,885	389,062
Prepayments	78,773	105,106
Interest receivable	1,554,415	955,561
Dividends receivable	2,166,640	1,264,817
Other receivables	28,629,967	26,396,763
Inventories	694,789	889,870
Non-current assets due within one year	2,806,017	6,780,040
Other current assets	—	283
Total Current Assets	39,151,160	43,807,452
Non-current Assets:		
Available-for-sale financial assets	231	231
Long-term receivables	2,592,461	4,573,576
Long-term equity investments	75,189,175	72,549,338
Investment properties	—	118,773
Fixed assets	15,501	55,263
Intangible assets	10,961	13,601
Total Non-current Assets	77,808,329	77,310,782
TOTAL ASSETS	116,959,489	121,118,234

The Company's Balance Sheet
2015.12.31

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Liabilities:		
Short-term borrowings	11,120,689	8,378,860
Accounts payable	864,274	1,074,091
Receipts in advance	492,914	303,192
Employee benefits payable	8,108	8,251
Taxes payable	61,734	48,154
Interest payable	617,614	742,538
Dividend payable	170,010	—
Other payables	8,062,853	10,697,648
Non-current liabilities due within one year	5,178,915	7,124,503
Other current liabilities	20,000,000	19,900,000
Total Current Liabilities	46,577,111	48,277,237
Non-current Liabilities:		
Long-term borrowings	2,771,441	5,403,934
Bonds payable	2,704,000	12,904,839
Including: Preference share	—	—
Perpetual bond	—	—
Long-term payables	300,000	378,980
Long-term employee benefits payable	22,861	19,772
Deferred income	4,265	957
Total Non-current Liabilities	5,802,567	18,708,482
TOTAL LIABILITIES	52,379,678	66,985,719

The Company's Balance Sheet
2015.12.31

All amounts in RMB'000

Items	Closing balance	Opening balance
Shareholders' Equity:		
Share capital	19,110,000	19,110,000
Other equity instruments	9,884,950	—
Including: Preference share	—	—
Perpetual bond	9,884,950	—
Capital reserve	33,481,220	33,481,220
Less: Treasury shares	—	—
Other comprehensive income	(2,105)	3,267
Special reserve	12,550	12,550
Surplus reserve	698,872	529,549
Retained profits	1,394,324	995,929
TOTAL SHAREHOLDERS' EQUITY	64,579,811	54,132,515
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	116,959,489	121,118,234

VIII. CONSOLIDATED AND THE COMPANY'S INCOME STATEMENTS

Consolidated Income Statement

For the year ended 31 December 2015

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Total operating revenue	217,323,972	215,785,772
Including: Operating revenue	217,323,972	215,785,772
II. Total operating costs	213,089,921	211,526,719
Including: Operating costs	188,817,361	187,884,556
Business taxes and levies	5,597,162	5,712,644
Selling expenses	1,512,225	1,500,231
Administrative expenses	10,067,076	9,108,267
Financial expenses	2,526,563	4,022,637
Impairment losses of assets	4,569,534	3,298,384
Add: Gains from changes in fair values (losses)	(30,445)	(22,473)
Investment income	1,735,160	1,053,667
Including: Losses from investments in associates and joint ventures	(153,731)	(96,238)
III. Operating profit	5,938,766	5,290,247
Add: Non-operating income	1,375,811	1,699,134
Including: Gains from disposal of non- current assets	226,649	123,154
Less: Non-operating expenses	171,441	284,076
Including: Losses from disposal of non- current assets	46,861	36,318
IV. Total profit	7,143,136	6,705,305
Less: Income tax expenses	2,194,392	2,363,950
V. Net profit	4,948,744	4,341,355
Net profit attributable to shareholders of the Company	4,801,562	3,964,938
Profit or loss attributable to non-controlling interests	147,182	376,417

Consolidated Income Statement
For the year ended 31 December 2015

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
VI. Other comprehensive income, net of income tax	(366,993)	108,064
Other comprehensive income attributable to shareholders of the Company, net of income tax	(391,101)	117,624
(I) Items that will not be reclassified subsequently to profit or loss	(398,024)	(136,289)
1. Re-measurement of defined benefit obligations	(398,024)	(136,289)
(II) Items that may be reclassified subsequently to profit or loss	6,923	253,913
1. Net (loss) gain on revaluation of available-for-sale financial assets	22,935	133,790
2. Exchange differences on translating foreign operations	(16,012)	120,123
Other comprehensive income attributable to non-controlling interests, net of income tax	24,108	(9,560)
VII. Total comprehensive income	4,581,751	4,449,419
Total comprehensive income attributable to shareholders of the Company	4,410,461	4,082,562
Total comprehensive income attributable to non-controlling interests	171,290	366,857
VIII. Earnings per share		
(I) Basic earnings per share (Yuan/ share)	0.24	0.21
(II) Diluted earnings per share (Yuan/ share)	—	—

The Company's Income Statement
For the year ended 31 December 2015

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Operating revenue	2,071,639	1,455,431
Less: Operating costs	1,875,103	1,452,440
Business taxes and levies	3,788	5,650
Selling expenses	—	60
Administrative expenses	194,611	208,280
Financial expenses	255,444	822,439
Impairment losses of assets	318,703	29,759
Add: Investment income	2,227,422	2,143,251
Including: Income (losses) from investments in associates and joint ventures	471	(40)
II. Operating profit	1,651,412	1,080,054
Add: Non-operating income	42,023	264
Including: Gains from disposal of non-current assets	41,976	—
Less: Non-operating expenses	59	40
Including: Losses from disposal of non-current assets	59	33
III. Total profit	1,693,376	1,080,278
Less: Income tax expenses	144	(8,625)
IV. Net profit	1,693,232	1,088,903
V. Other comprehensive income, net of income tax	(5,376)	3,426
(I) Items that will not be reclassified subsequently to profit or loss	(5,376)	3,430
1. Re-measurement of defined benefit obligations	(5,376)	3,430
(II) Items that may be reclassified subsequently to profit or loss	—	(4)
1. Exchange differences on translating foreign operations	—	(4)
VI. Total comprehensive income	<u>1,687,856</u>	<u>1,092,329</u>

IX. CONSOLIDATED AND THE COMPANY'S CASH FLOW STATEMENTS

Consolidated Cash Flow Statement

For the year ended 31 December 2015

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Cash Flows from Operating Activities:		
Cash receipts from the sale of goods and the rendering of services	223,204,911	221,018,784
Receipts of tax refunds	687,613	327,987
Other cash receipts relating to operating activities	2,096,407	5,040,257
Sub-total of cash inflows from operating activities	225,988,931	226,387,028
Cash payments for goods purchased and services received	173,279,959	169,818,155
Cash payments to and on behalf of employees	17,662,165	17,271,989
Payments of various types of taxes	11,531,185	11,247,436
Other cash payments relating to operating activities	8,158,240	13,080,421
Sub-total of cash outflows from operating activities	210,631,549	211,418,001
Net Cash Flows from Operating Activities	15,357,382	14,969,027

Consolidated Cash Flow Statement
For the year ended 31 December 2015

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
II. Cash Flows from Investing Activities:		
Cash receipts from disposals and recovery of investments	210,982	60,086
Cash receipts from investment income	243,575	86,932
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	374,609	351,934
Net cash receipts from disposal of subsidiaries and other business units	3,500	8,851
Other cash receipts relating to investing activities	208,179	344,977
Sub-total of cash inflows from investing activities	1,040,845	852,780
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	3,356,884	2,760,049
Cash payments to acquire investments	1,897,983	170,951
Cash payments to acquire subsidiaries and other business units	3,136	–
Other cash payments relating to investing activities	1,385,438	1,126,752
Sub-total of cash outflows from investing activities	6,643,441	4,057,752
Net Cash Flows from Investing Activities	(5,602,596)	(3,204,972)

Consolidated Cash Flow Statement
For the year ended 31 December 2015

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
III. Cash Flows from Financing Activities:		
Cash receipts from capital contributions	10,125,778	148,244
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries	240,828	148,244
Cash receipts from issue perpetual bonds	9,884,950	—
Cash receipts from borrowings	100,757,817	109,039,297
Sub-total of cash inflows from financing activities	110,883,595	109,187,541
Cash repayments of borrowings	112,334,593	113,546,803
Cash payments for distribution of dividends or profits or settlement of interest expenses	7,995,575	9,330,061
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries	94,250	603,506
Other cash payments relating to financing activities	272,809	742,251
Sub-total of cash outflows from financing activities	120,602,977	123,619,115
Net Cash Flows from Financing Activities	(9,719,382)	(14,431,574)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	129,797	(3,858)
V. Net Increase(decrease) in Cash and Cash Equivalents	165,201	(2,671,377)
Add: Opening balance of Cash and Cash equivalents	28,571,177	31,242,554
VI. Closing Balance of Cash and Cash Equivalents	28,736,378	28,571,177

The Company's Cash Flow Statement
For the year ended 31 December 2015

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Cash Flows from Operating Activities:		
Cash receipts from the sale of goods and the rendering of services	2,126,135	1,689,115
Receipts of tax refunds	44,071	241
Other cash receipts relating to operating activities	180,441	284,029
Sub-total of cash inflows from operating activities	2,350,647	1,973,385
Cash payments for goods purchased and services received	1,957,142	1,618,759
Cash payments to and on behalf of employees	113,763	100,757
Payments of various types of taxes	60,736	60,598
Other cash payments relating to operating activities	87,344	116,392
Sub-total of cash outflows from operating activities	2,218,985	1,896,506
Net Cash Flows from Operating Activities	131,662	76,879

The Company's Cash Flow Statement
For the year ended 31 December 2015

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
II. Cash Flows from Investing Activities:		
Cash receipts from investment income	1,964,991	8,101,127
Net cash receipts from disposal of fixed assets, intangible assets and other long- term assets	23	8
Other cash receipts relating to investing activities	3,460,910	—
Sub-total of cash inflows from investing activities	5,425,924	8,101,135
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	956	4,563
Cash payments to acquire investments	1,372,000	4,355,176
Other cash payments relating to investing activities	—	784,067
Sub-total of cash outflows from investing activities	1,372,956	5,143,806
Net Cash Flows from Investing Activities	4,052,968	2,957,329

The Company's Cash Flow Statement
For the year ended 31 December 2015

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
III. Cash Flows from Financing Activities:		
Cash receipts from investments	9,884,950	–
Including: Cash receipts from perpetual bond	9,884,950	–
Cash receipts from borrowings	60,343,330	57,492,591
Other cash receipts relating to financing activities	–	19,700
Sub-total of cash inflows from financing activities	70,228,280	57,512,291
Cash repayments of borrowings	74,962,999	55,836,570
Cash payments for distribution of dividends or profits or settlement of interest expenses	3,724,813	4,066,226
Other cash payments relating to financing activities	37,151	113,429
Sub-total of cash outflows from financing activities	78,724,963	60,016,225
Net Cash Flows from Financing Activities	(8,496,683)	(2,503,934)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	13,250	1,072
V. Net Increase(decrease) in Cash and Cash Equivalents	(4,298,803)	531,346
Add: Opening balance of Cash and Cash equivalents	7,025,950	6,494,604
VI. Closing Balance of Cash and Cash Equivalents	2,727,147	7,025,950

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2015
Attributable to shareholders of the Company

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Consolidated Statement of Changes in Shareholders' Equity

All amounts in RMB'000

For the year ended 31 December 2014
Attributable to shareholders of the Company

Items	Other equity instruments						Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non- controlling interests	Total shareholders' equity
	Share capital	Preference share	Perpetual bond	Others	Capital reserve								
I. Closing balance of the preceding year	19,110,000	-	-	-	17,947,113	-	-	465,797	12,550	420,659	6,585,181	10,523,919	55,065,219
Add:	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior years errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	19,110,000	-	-	-	17,947,113	-	-	465,797	12,550	420,659	6,585,181	10,523,919	55,065,219
III. Changes for the year	-	-	-	-	(120,895)	-	-	117,624	-	108,890	2,690,338	163,332	2,959,289
(I) Total comprehensive income	-	-	-	-	-	-	-	117,624	-	-	3,964,938	366,857	4,449,419
(II) Shareholders' contributions and reduction in capital	-	-	-	-	(120,895)	-	-	-	-	-	-	146,755	25,860
1. Capital contribution from owners	-	-	-	-	(120,895)	-	-	-	-	-	-	171,640	171,640
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	(120,895)	-	-	-	-	-	-	(24,885)	(145,780)
(III) Profit distribution	-	-	-	-	-	-	-	-	-	108,890	(1,274,600)	(350,280)	(1,515,990)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	108,890	(108,890)	-	-
2. Distributions to shareholders	-	-	-	-	-	-	-	-	-	-	(1,165,710)	(350,280)	(1,515,990)
3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current year	-	-	-	-	-	-	-	-	2,183,105	-	-	204,774	2,387,879
2. Amount utilised in the current year	-	-	-	-	-	-	-	-	(2,183,105)	-	-	(204,774)	(2,387,879)
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current year	19,110,000	-	-	-	17,826,218	-	-	583,421	12,550	529,549	9,275,519	10,687,251	58,024,508

The Company's Statement of Changes in Shareholders' Equity

All amounts in RMB'000

Items	Other equity instruments						For the year ended 31 December 2015				
	Share capital	Preference share	Perpetual bond	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
I. Closing balance of the preceding year	19,110,000	-	-	-	33,481,220	-	3,267	12,550	529,549	995,929	54,132,515
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior years errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	19,110,000	-	-	-	33,481,220	-	3,267	12,550	529,549	995,929	54,132,515
III. Changes for the year	-	-	9,884,950	-	-	-	(5,372)	-	169,323	398,395	10,447,296
(I) Total comprehensive income	-	-	-	-	-	-	(5,376)	-	-	1,693,232	1,687,856
(II) Shareholders' contributions and reduction in capital	-	-	9,884,950	-	-	-	4	-	-	(4)	9,884,950
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	9,884,950	-	-	-	-	-	-	-	9,884,950
3. Others	-	-	-	-	-	-	4	-	-	(4)	-
(III) Profit distribution	-	-	-	-	-	-	-	-	169,323	(1,294,833)	(1,125,510)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	169,323	(169,323)	-
2. Distributions to shareholders	-	-	-	-	-	-	-	-	-	(1,125,510)	(1,125,510)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current year	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the current year	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current year	19,110,000	-	9,884,950	-	33,481,220	-	(2,105)	12,550	698,872	1,394,324	64,579,811

The Company's Statement of Changes in Shareholders' Equity

All amounts in RMB'000

For the year ended 31 December 2014											
Items	Other equity instruments				Capital reserve	Less:		Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
	Share capital	Preference share	Perpetual bond	Others		Treasury shares	Other comprehensive income				
I. Closing balance of the preceding year	19,110,000	-	-	-	33,481,220	-	(159)	12,550	420,659	1,181,626	54,205,896
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior years errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year	19,110,000	-	-	-	33,481,220	-	(159)	12,550	420,659	1,181,626	54,205,896
III. Changes for the year	-	-	-	-	-	-	3,426	-	108,890	(185,697)	(73,381)
(I) Total comprehensive income	-	-	-	-	-	-	3,426	-	-	1,088,903	1,092,329
(II) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	108,890	(1,274,600)	(1,165,710)
2. Distributions to shareholders	-	-	-	-	-	-	-	-	108,890	(108,890)	-
3. Others	-	-	-	-	-	-	-	-	-	(1,165,710)	(1,165,710)
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current year	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the current year	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current year	19,110,000	-	-	-	33,481,220	-	3,267	12,550	529,549	995,929	54,132,515

XI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(I) Basic corporate information

Metallurgical Corporation of China Ltd. (the “Company”) was established as a joint stock limited liability company by China Metallurgical Group Corporation (“CMGC”) and Baosteel Group Corporation (“BGC”) as promoters on 1 December 2008 and was registered in Beijing in the People’s Republic of China (the “PRC”). Upon the approval by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the “SASAC”) of Guozi Reform [2008] 528 Approval for CMGC’s Group Restructuring and Dual Listing in Domestic and Overseas Markets, issued on 10 June, 2008. CMGC is the parent company of the Company and the SASAC is the ultimate controlling party of the Company. Upon establishment of the Company, the registered capital of the Company was RMB13 billion, representing 13 billion ordinary shares of RMB1.0 each. On 14 September 2009, the Company issued 3,500 million A shares of the Company to domestic investors and these A shares of the Company were listed on the Shanghai Stock Exchange on 21 September 2009, and 2,610 million H shares of the Company were issued and listed on the Main Board of The Stock Exchange of Hong Kong Ltd. (the “Hong Kong Stock Exchange”) on 24 September 2009. During the course of the issue of A shares and H shares of the Company, CMGC and BGC have transferred a total amount of 350 million shares of the Company to National Council for State Security Fund (“NSSF”) of the PRC and converted 261 million domestic shares into H shares and transferred to NSSF, among which 261 million H shares were offered for sale upon issuance of H shares of the Company. Upon completion of the public offering of A shares and H shares above, the total registered capital of the Company increased to RMB19.11 billion.

On 8 December 2015, the Strategic Restructuring between CMGC and China Minmetals Corporation was approved by SASAC. As at 31 December 2015, the Strategic Restructuring had not yet completed. As such, CMGC is still the controlling shareholder of the Company and SASAC is still the ultimate controller of the Company.

The Company and its subsidiaries (the “Group”) are principally engaged in the following activities (Core Operations): engineering contracting, property development, equipment manufacture, and resource development.

The Group provide services and products as follows: provision of engineering contracting services (including research, planning, surveying, consulting, design, procurement, construction, installation, maintenance, supervision and certain technical services) for metallurgical projects, building construction, transportation infrastructure and other projects (including the mining, environmental protection, power, chemicals, light and electronics industries) (“engineering contracting”); development and sale of residential and commercial properties, affordable housing and primary land development (“property development”); development and production of metallurgical equipment, steel structures and other metal

products (“equipment manufacture”); development and smelting of domestic and overseas metallic mineral resources and production and processing of nonmetallic mineral resources, nonferrous metal and polysilicon (“resource development”).

During the reporting period, the Group did not have material changes on principal business activities.

The Company and consolidated financial statements had been approved by the Board of Directors of the Company on 29 March 2016.

(II) Significant accounting policies and accounting estimates

1. Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises (the “CASBE”) issued by the Ministry of Finance (the “MoF”) and the implementation guidance, interpretations and other relevant provisions issued or revised subsequently by the MoF (collectively referred to as “ASBE”).

According to Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong and other Hong Kong Listing Rules Amendments issued by the Hong Kong Stock Exchange in December 2010, also referring to the relevant provisions issued by the MoF and the China Securities Regulatory Commission (the “CSRC”), and approved by the general meeting of stockholders of the Company, from fiscal year 2014, the Company no longer provides the financial statements prepared in accordance with the CASBE and the International Financial Reporting Standards (the “IFRS”) separately to stockholders of A shares and H shares. Instead, the Company provides the financial statements prepared in accordance with the CASBE to all stockholders, taking the relevant disclosure standards of new Hong Kong Companies Ordinance and Hong Kong Listing Rules into consideration.

In addition, the Group has disclosed relevant financial information in these financial statements in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15-General Provisions on Financial Reporting (revised by CSRC in 2014).

2. Statement of compliance

These financial statements are in compliance with the CASBE to truly and completely reflect consolidated and the Company’s financial position as at 31 December 2015 and consolidated and the Company’s operating results and cash flows for the year then ended.

3. *Accounting period*

The Company and the Group have adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

4. *Reporting currency*

The Company and its domestic subsidiaries choose RMB as their functional currency. The functional currency of the overseas subsidiaries of the Company is selected based on the primary economic environment where they operate. Their financial statements were presented in RMB when being consolidated into consolidated financial statements. The Company adopts RMB to present its financial statements.

(III) Notes to consolidated financial statements

1. *Cash and bank balances*

All amounts in RMB'000

Items	Closing balance	Opening balance
Cash	24,418	23,660
RMB	12,694	16,656
USD	2,404	1,964
EUR	160	138
AUD	275	275
HKD	143	12
Others	8,742	4,615
Bank deposits	26,671,366	26,732,332
RMB	22,727,621	23,245,720
USD	2,783,849	2,303,973
EUR	14,665	33,692
AUD	279,891	184,729
HKD	11,454	1,081
Others	853,886	963,137
Other cash and bank	7,034,922	6,653,488
RMB	6,961,126	6,498,316
USD	25,955	117,702
EUR	15,275	3,060
AUD	2,838	3,529
Others	29,728	30,881
Total	33,730,706	33,409,480
Including: Total amount of deposits abroad	1,200,050	1,344,935

2. Bills receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Bank acceptance bills	3,817,183	7,238,677
Commercial acceptance bills	7,543,487	2,738,897
Total	11,360,670	9,977,574

3. Accounts receivable

(1) Aging analysis of accounts receivable was as follows:

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	43,286,784	38,947,676
1 to 2 years	13,974,180	13,341,763
2 to 3 years	7,689,965	6,333,875
3 to 4 years	4,420,464	2,231,819
4 to 5 years	1,614,508	1,163,111
Over 5 years	2,129,147	1,450,285
Total	73,115,048	63,468,529

(2) Accounts receivable disclosed by category

All amounts in RMB'000

Category	Closing balance				Carrying amount	Opening balance				Carrying amount
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)		Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	
Individually significant and subject to provision individually	3,282,598	4.49	1,182,870	36.03	2,099,728	2,756,520	4.34	934,954	33.92	1,821,566
Subject to provision by groups with credit risk	68,778,825	/	7,489,319	/	61,289,506	59,492,385	/	6,186,119	/	53,306,266
Group 1	52,929,011	72.39	7,489,319	14.15	45,439,692	44,726,855	70.47	6,186,119	13.83	38,540,736
Group 2	15,849,814	21.68	-	-	15,849,814	14,765,530	23.26	-	-	14,765,530
Accounts receivable which are individually insignificant but subject to provision individually	1,053,625	1.44	779,750	74.01	273,875	1,219,624	1.93	548,174	44.95	671,450
Total	73,115,048	/	9,451,939	/	63,663,109	63,468,529	/	7,669,247	/	55,799,282

4. *Prepayments*

All amounts in RMB'000

Aging	Closing balance		Opening balance	
	Amount	As a percentage of total prepayments (%)	Amount	As a percentage of total prepayments (%)
Within 1 year	9,296,402	67.86	12,350,371	74.80
1 to 2 years	2,006,443	14.65	1,807,721	10.95
2 to 3 years	766,112	5.59	1,079,607	6.54
Over 3 years	1,629,516	11.90	1,273,024	7.71
Total	<u>13,698,473</u>	<u>100.00</u>	<u>16,510,723</u>	<u>100.00</u>

5. *Other receivables*

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	19,974,505	13,600,181
1 to 2 years	6,171,325	3,730,253
2 to 3 years	2,300,299	1,795,603
3 to 4 years	1,198,992	828,925
4 to 5 years	530,083	494,921
Over 5 years	<u>1,331,505</u>	<u>1,240,763</u>
Total	<u>31,506,709</u>	<u>21,690,646</u>

(2) *Other receivables disclosed by category*

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually	1,414,576	4.48	514,704	36.39	899,872	460,050	2.12	223,205	48.52	236,845
Subject to provision by groups with credit risk	29,689,129	/	1,614,270	/	28,074,859	20,788,292	/	1,357,991	/	19,430,301
Group 1	7,900,614	25.08	1,614,270	20.43	6,286,344	5,529,046	25.49	1,357,991	24.56	4,171,055
Group 2	21,788,515	69.16	-	-	21,788,515	15,259,246	70.35	-	-	15,259,246
Other receivables which are individually insignificant but subject to provision individually	403,004	1.28	320,937	79.64	82,067	442,304	2.04	341,131	77.13	101,173
Total	31,506,709	/	2,449,911	/	29,056,798	21,690,646	/	1,922,327	/	19,768,319

(3) *Other receivables categorised by nature*

All amounts in RMB'000

Nature of other receivable	Closing balance	Opening balance
Guarantee deposits	16,790,322	14,049,569
Loan receivables from related parties and third parties	5,186,555	3,009,608
Advance to employees	471,465	477,538
Receivables on disposal of investments	6,744,249	2,346,808
Others	2,314,118	1,807,123
Total	31,506,709	21,690,646

6. Inventories

(1) Categories

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	1,926,197	102,040	1,824,157	2,383,904	99,522	2,284,382
Materials procurement	157,254	–	157,254	156,771	–	156,771
Outsourced processing materials	56,985	–	56,985	65,854	–	65,854
Work in progress	2,534,081	6,710	2,527,371	2,254,347	13,161	2,241,186
Finished goods	2,667,972	281,394	2,386,578	2,387,633	91,923	2,295,710
Other materials	426,573	9,496	417,077	491,845	4,950	486,895
Gross amount due from contract customers	52,753,223	1,207,475	51,545,748	42,125,774	1,166,497	40,959,277
Cost of property development	44,084,325	218,630	43,865,695	47,229,938	–	47,229,938
Property development product	12,584,372	60,000	12,524,372	10,707,241	11,262	10,695,979
Total	<u>117,190,982</u>	<u>1,885,745</u>	<u>115,305,237</u>	<u>107,803,307</u>	<u>1,387,315</u>	<u>106,415,992</u>

(2) Provision for impairment

All amounts in RMB'000

Items	Opening balance	Increase			Decrease		Closing balance
		Provision	Others	Reversals	Write-offs	Others	
Raw materials	99,522	10,308	–	–	5,920	1,870	102,040
Work in progress	13,161	1,197	–	5,115	–	2,533	6,710
Finished goods	91,923	220,174	791	–	31,375	119	281,394
Other materials	4,950	4,560	–	–	3	11	9,496
Gross amount due from contract customers	1,166,497	288,674	–	40,258	123,009	84,429	1,207,475
Cost of property development	–	218,630	–	–	–	–	218,630
Property development product	11,262	50,897	–	–	2,159	–	60,000
Total	<u>1,387,315</u>	<u>794,440</u>	<u>791</u>	<u>45,373</u>	<u>162,466</u>	<u>88,962</u>	<u>1,885,745</u>

(3) *Gross amount due from contract customers of construction contracts at the end of the year*

All amounts in RMB'000

Items	Closing balance
Contract costs incurred to date	595,257,584
Recognized profits to date	47,714,476
Less: Estimated loss	1,207,475
Accumulated settlements	<u>590,218,837</u>
Gross amount due from contract customers	<u><u>51,545,748</u></u>

In 2012, MCC Mining (Western Australia) Pty Ltd. (“Western Australia”), a wholly owned subsidiary of the Group, postponed the SINO Iron Project, due to the reason like extreme weather condition in Australia and other unpredictable reasons. The Group negotiated with China CITIC Group Ltd. (“CITIC Group”, the parent company of CITIC Limited) for the project delay and the contract price after cost overruns. CITIC Group and Western Australia signed the Third Supplementary EPC Agreement of SINO Iron Project in Western Australia on 30 December 2011 agreeing that the construction costs to complete the second main process line including trial run should be controlled to USD4.357 billion. The ultimate construction costs for the aforesaid project should be determined by an audit performed by an independent third party. Based on the consensus with CITIC Group above and the estimated total construction costs of the project, the Group had recognized impairment loss on contract costs of USD481 million (equivalent to approximately RMB3.035 billion) for the year ended 31 December 2012.

Up to 31 December 2013, the first and the second production lines of the project were completed and put into operation. Western Australia and Sino Iron Pty Ltd. (a wholly owned subsidiary of CITIC Limited) signed the Fourth Supplementary Agreement of SINO Iron Project in Western Australia dated 24 December 2013 for the handing over of the first and the second production lines of the project to CITIC Group at the end of 2013. As such, the construction, installation and trial running work set out in the EPC contract for the project entered into by Western Australia was completed. For the third to sixth production lines of the project, Western Australia and Northern Engineering & Technology Corporation, a subsidiary of the Company, have entered into Project Management Service Agreement and Engineering Design and Equipment Procurement Management Technology Service Agreement, respectively, with CITIC Group for the provision of follow-up technology management services to CITIC Group. In addition, both the Group and CITIC Group have agreed to engage an independent third

party to perform an audit of the total construction costs incurred for the project, the reasonableness of the construction costs incurred, the reasons of the project delay and the responsibility for the delay. Based on the final result of the audit, the Group and CITIC Group will make final settlement of the project.

Up to 31 December 2015, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. Based on the latest assessment of the project costs, the Group is of the view that the previous estimation of project construction costs made at the end of 2012 should not have any significant change. Hence, as at 31 December 2015, the Group did not make any adjustment on the provision for loss of the project.

Since the final project construction costs should be finalized by the audit to be completed by an independent third party, the outcome of the audit is uncertain. After the completion of the audit mentioned above, the Group will actively follow up with CITIC Group for negotiation and discussion in reaching the final agreed project construction costs and make relevant accounting treatments accordingly.

7. Long-term receivables

All amounts in RMB'000

Items	Closing balance			Opening balance			Range of discount rate
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount	
Receivables on "Build-Transfer"							
project receivables	12,967,141	139,957	12,827,184	21,250,763	106,926	21,143,837	/
Receivables on disposal of equity investments	333,485	-	333,485	259,530	-	259,530	4.90%-6.15%
Others	1,776,633	-	1,776,633	847,698	-	847,698	8.00%
Total	<u>15,077,259</u>	<u>139,957</u>	<u>14,937,302</u>	<u>22,357,991</u>	<u>106,926</u>	<u>22,251,065</u>	<u>/</u>
Including: Long term receivables							
due within one year	7,113,904	59,123	7,054,781	4,901,847	34,067	4,867,780	/
Long term receivables due after one year	<u>7,963,355</u>	<u>80,834</u>	<u>7,882,521</u>	<u>17,456,144</u>	<u>72,859</u>	<u>17,383,285</u>	<u>/</u>

8. *Bills payable*

All amounts in RMB'000

Category	Closing balance	Opening balance
Bank acceptance bills	14,375,785	11,315,516
Commercial acceptance bills	1,265,841	492,975
Total	15,641,626	11,808,491

9. *Accounts payable*

(1) *Accounts payable*

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	57,333,193	47,510,512
Purchases	22,332,597	18,271,806
Design fees	145,177	142,596
Labor fees	4,925,248	4,170,684
Accrued accounts payable	7,734,620	6,738,635
Retention money	416,152	392,229
Others	527,001	495,701
Total	93,413,988	77,722,163

(2) *Aging analysis of accounts payable*

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	64,692,866	52,328,513
1 to 2 years	15,073,197	15,524,584
2 to 3 years	7,802,144	4,934,765
Over 3 years	5,845,781	4,934,301
Total	93,413,988	77,722,163

10. Receipts in advance

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	6,755,317	11,287,564
Sales proceeds	9,485,461	8,387,364
Design fees	777,410	1,000,162
Labor fees	157,760	32,831
Gross amounts due to contract customers	12,153,097	12,913,718
Others	810,914	357,211
Total	<u>30,139,959</u>	<u>33,978,850</u>

11. Dividends payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Dividend declared on perpetual bonds classified as equity instrument	170,010	—
Other dividends	621,048	504,931
Total	<u>791,058</u>	<u>504,931</u>

12. Operating revenue and operating costs

(1) Table of operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	215,915,614	187,723,147	214,333,710	186,839,536
Other business	1,408,358	1,094,214	1,452,062	1,045,020
Total	<u>217,323,972</u>	<u>188,817,361</u>	<u>215,785,772</u>	<u>187,884,556</u>

(2) *Classified by industries*

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Principal operating revenue	Principal operating costs	Principal operating revenue	Principal operating costs
Engineering contracting	183,269,517	160,130,995	175,480,435	153,731,723
Property development	19,304,913	15,453,818	22,677,768	18,703,391
Equipment manufacture	8,334,485	7,128,634	9,707,680	8,537,234
Resource development	2,862,259	3,138,689	3,942,800	3,602,730
Others	2,144,440	1,871,011	2,525,027	2,264,458
Total	<u>215,915,614</u>	<u>187,723,147</u>	<u>214,333,710</u>	<u>186,839,536</u>

(3) *Classified by geographic locations*

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Principal operating revenue	Principal operating costs	Principal operating revenue	Principal operating costs
China	200,002,987	172,444,913	202,227,870	175,557,705
Other countries/ regions	15,912,627	15,278,234	12,105,840	11,281,831
Total	<u>215,915,614</u>	<u>187,723,147</u>	<u>214,333,710</u>	<u>186,839,536</u>

13. Business taxes and levies

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Business tax	4,529,788	4,511,021
City construction and maintenance tax	384,102	409,527
Education surcharges	201,955	220,843
Land appreciation tax	173,237	288,816
Others	308,080	282,437
Total	5,597,162	5,712,644

14. Selling expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Packing charges	2,532	2,743
Employee compensation costs	601,007	528,609
Depreciation expenses	13,953	14,707
Travelling expenses	143,609	138,429
Office expenses	187,356	204,119
Transportation expenses	172,228	229,156
Advertising expenses	229,400	218,978
Others	162,140	163,490
Total	1,512,225	1,500,231

15. Administrative expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Employee compensation costs	4,169,332	3,963,644
Depreciation expenses	647,768	593,328
Travelling expenses	303,898	314,662
Office expenses	578,694	555,658
Lease rentals	124,998	97,297
Research and development expenses	2,828,218	2,216,847
Repairs and maintenance expenses	120,593	105,053
Amortization of intangible assets	186,541	175,854
Consulting expenses	167,818	196,200
Tax charges	313,272	365,865
Others	625,944	523,859
Total	10,067,076	9,108,267

16. Financial expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Interest expenses	6,732,560	7,558,595
Less: Capitalised interests	(2,763,155)	(2,858,314)
Less: Interest income	(1,658,081)	(1,427,750)
Exchange losses (gains)	(132,012)	290,438
Bank charges	126,203	257,737
Others	221,048	201,931
Total	2,526,563	4,022,637

17. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
1. Bad debt provision	2,303,482	2,014,143
Including: Accounts receivable bad debts	1,719,472	1,590,048
Other accounts receivable bad debts	550,979	368,445
2. Impairment of inventories	749,067	815,459
3. Impairment of available-for- sale financial assets	4,730	49,109
4. Impairment of long-term equity investments	–	53,323
5. Impairment of fixed assets	834,698	47,743
6. Impairment of construction in progress	7,988	164,115
7. Impairment of intangible assets	598,893	176,973
8. Impairment of goodwill	70,148	259
9. Others	528	(22,740)
Total	<u>4,569,534</u>	<u>3,298,384</u>

18. *Investment income*

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Losses from long-term equity investments under equity method	(257,647)	(138,664)
Investment income on disposal of long-term equity investments	1,867,442	988,173
Investment income from holding financial assets at FVTPL	3	3
Investment income on disposal of financial assets and financial liabilities at FVTPL	74,803	37,752
Investment income from holding available-for-sale financial assets	40,043	123,272
Investment income on disposal of available-for-sale financial assets	12,323	16,855
Investment income on re-measurement of retained interest at its fair value at the date when control is lost	–	1,273
Others	(1,807)	25,003
Total	1,735,160	1,053,667

19. Non-operating income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non- recurring profit or loss for the current year
Total gains on disposal of non-current assets	226,649	123,154	226,649
Including: Gains on disposal of fixed assets	206,895	62,127	206,895
Gains on disposal of intangible assets	9,392	60,373	9,392
Income from penalty	9,333	25,971	9,333
Gains on inventory taking	1,057	1,346	1,057
Government grants (a)	676,858	1,066,485	676,858
Approved unpayable balances	80,119	207,288	80,119
The excess of the fair value of identifiable net assets acquired over the cost of combination	90,147	–	90,147
Others	291,648	274,890	291,648
Total	<u>1,375,811</u>	<u>1,699,134</u>	<u>1,375,811</u>

(a) Government grants recognized in profit or loss

All amounts in RMB'000

Government grants	Amount for the current year	Amount for the prior year	Related to assets or income
Government subsidy by Luodian government	56,387	–	Related to income
Local development subsidies	48,550	40,000	Related to income
Finance government Allocation	44,137	25,790	Related to income
Tax return by Baoshan luodian development zone	25,734	22,563	Related to income
Financial Support Fund for Qiqihaer MCC Binjiang International Town	20,000	–	Related to income
Support Funds Awards for Enterprise from Finance Bureau	19,196	8,990	Related to income
Retired Personnel Funds from Ministry of Science and Technology	16,034	10,097	Related to income
Tax Return for Luodian Fujin Development Zone	13,500	10,729	Related to income
House Expropriation Compensation for Demolition in Yuzhong District, Chongqing	13,439	–	Related to income
Electricity Subsidies from Luoyang Finance Bureau	10,667	–	Related to income
Others	409,214	948,316	Related to assets or income
Total	676,858	1,066,485	/

20. *Non-operating expenses*

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non- recurring profit or loss for the current year
Losses on disposal of non-current assets	46,861	36,318	46,861
Including: Losses on disposal of fixed assets	39,515	30,237	39,515
Losses on disposal of intangible assets	7,312	5,333	7,312
Non-recurring losses	6,857	116,549	6,857
Fines and surcharges for overdue payments	28,725	50,295	28,725
Compensation and default payments	47,383	35,067	47,383
Losses on written-off of fixed assets	98	88	98
Others	41,517	45,759	41,517
Total	171,441	284,076	171,441

21. *Income tax expense*

(1) *Income tax expense*

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Current year tax expense	2,757,040	2,797,715
Deferred tax expenses	(562,648)	(433,765)
Total	2,194,392	2,363,950

(2) *Reconciliation of income tax expenses to the accounting profit*

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Total profit	7,143,136	6,705,305
Income tax expenses calculated at the statutory tax rate (25%)	1,785,784	1,676,327
Effect of difference between applicable tax rate and statutory tax rate	(410,019)	(269,786)
Income not subject to tax	(147,873)	(117,561)
Expenses not deductible for tax purposes	180,688	249,863
Utilization of previously unrecognized tax losses and other temporary differences for which no deferred income tax assets were recognized	(188,722)	(100,779)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	1,210,555	1,042,024
Others	(236,021)	(116,138)
Income tax expense	2,194,392	2,363,950

(3) *There was no provision for Hong Kong profits tax has been made as the Group did not have any assessable profits in Hong Kong for the current year.*

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which have been provided based on the statutory income tax rate of 25% on the assessable income of each of these companies during the current 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.

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

22. Other comprehensive income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
(I) Items that will not be reclassified subsequently to profit or loss		
1. Re-measurement of defined benefit obligations	(418,332)	(148,047)
Less: Income tax effects on re-measurement of defined benefit obligations	(5,830)	(7,266)
Subtotal	(412,502)	(140,781)
(II) Items that may be reclassified subsequently to profit or loss:		
1. Changes in fair value of available-for-sale financial assets	33,312	186,980
Amount included in other comprehensive income in prior years that is transferred to profit or loss for the current year	3,318	14,825
Less: Income tax effects on available-for-sale financial assets	6,551	41,879
Subtotal	23,443	130,276

Items	Amount for the current year	Amount for the prior year
2. Exchange differences on translating foreign operations	7,398	101,855
Net amount transferred to profit or loss for the current year on disposal of foreign operations	–	(920)
Less: Income tax effects on the exchange differences on translating foreign operations	(14,668)	(15,794)
Subtotal	22,066	118,569
Total	(366,993)	108,064

(IV) Events after the balance sheet date

1. Appropriation of profit after the balance sheet date

According to the decision of the nineteenth meeting of the second term of the board of directors of the Company, the Company proposed to distribute cash dividend of RMB0.55 (inclusive of tax) for every 10 shares owned by the shareholders. The total number of shares of the Company is 19,110,000,000, and the total dividend is RMB1,051,050,000. The dividend distribution is subject to the approval by the shareholders in the upcoming annual shareholders meeting.

2. Other events after the balance sheet date

According to the resolutions reached at the tenth meeting and the eighteenth meeting of the second term of the board of directors of the Company, the Company proposes to issue no more than 2,548,716,883 A shares under the non-public issuance to specific investors not including the controlling shareholder, de facto controller of the Company or the related parties under their control. As of the approval date of these financial statements, the non-public issuance has been approved by the SASAC, but is still subject to the approvals from the securities regulatory authorities such as the CSRC, and the Shareholders' general meeting and shareholders' class meeting of the Company. As at 31 December 2015, the total number of shares of the Company was 19,110,000,000, of which 64.18% was held by CMGC, the controlling shareholder of the Company. Assuming that the number of A shares to be issued under the non-public issuance are 2,548,716,883 shares, upon the completion of the non-public issuance of A shares,

the total number of shares of the Company will be 21,658,716,883, of which 56.63% will be held by CMGC. CMGC remains the controlling shareholder of the Company. As a result, the non-public issuance of A shares will not cause any change of the controlling shareholder of the Company.

(V) Other significant items

1. Segment information

(1) Accounting policies of the segment

The Group determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The reportable segments are determined based on operating segments.

Operating segment is a component of the Group which is satisfied all of the following conditions:

- (a) The component is able to generate income, expenses in daily activities;
- (b) The Group's management evaluates the operating results of that segment regularly, determines the allocation of resources, and evaluates its performance;
- (c) The Group can obtain the financial position, operating results, cash flow and other relevant accounting information of the segment. If two or more operating segments have similar economic characteristics and meet certain conditions, they could be combined into a single operating segment.

The management of the Group has performed assessments of the operating results of engineering contracting, property development, equipment manufacture, and resource development. The management also evaluates the operating results of the above segments generated in different geographical locations.

The information of the operating and reportable segments is derived from the information reported by the management of each respective segment. The accounting policies and measurement basis of this information are the same as the Group's accounting policies adopted in preparing these financial statements.

Intersegment transactions are based on the actual transaction price. Segment revenue and segment expenses are recognized based on the actual revenue generated and actual expenses incurred by the respective segments. Assets and liabilities are allocated to the respective segments according to the assets used or liabilities assumed in their daily operating activities.

(2) Summarized financial information of reporting segment

(a) Segment information for the year ended 31 December 2015 and as at 31 December 2015

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	186,304,107	19,441,290	9,270,661	3,015,008	2,647,054	-	3,354,148	217,323,972
Including: Revenue from external customers	184,300,696	19,404,511	8,502,447	2,923,001	2,193,317	-	-	217,323,972
Revenue between segments	2,003,411	36,779	768,214	92,007	453,737	-	3,354,148	-
Operating costs	162,942,147	15,534,346	8,013,560	3,295,274	2,327,541	-	3,295,507	188,817,361
Including: External costs	160,995,143	15,498,973	7,245,307	3,195,208	1,882,730	-	-	188,817,361
Costs between segments	1,947,004	35,373	768,253	100,066	444,811	-	3,295,507	-
Operating profit/(loss)	6,720,029	2,478,688	(85,069)	(3,146,390)	130,004	(194,611)	(36,115)	5,938,766
Including: Interest income	904,752	175,528	67,263	21,812	1,099,302	-	610,576	1,658,081
Interest expense	2,020,463	970,298	210,392	493,869	884,959	-	610,576	3,969,405
Investment income/(loss) from associates and joint ventures	(303,945)	152,195	-	-	(1,981)	-	-	(153,731)
Non-operating income	962,579	133,904	174,865	34,686	69,777	-	-	1,375,811
Non-operating expenses	115,328	29,656	21,593	4,127	737	-	-	171,441
Total profit/(loss)	7,567,280	2,582,936	68,203	(3,115,831)	199,044	(194,611)	(36,115)	7,143,136
Income tax expense	1,133,503	869,492	63,542	(348)	128,203	-	-	2,194,392
Net profit/(loss)	6,433,777	1,713,444	4,661	(3,115,483)	70,841	(194,611)	(36,115)	4,948,744
Assets	238,187,222	93,070,075	19,011,562	20,107,971	37,511,129	3,733,420	67,858,560	343,762,819
Including: Long-term equity investments in associates and joint ventures	3,120,649	727,626	-	-	66,750	-	-	3,915,025
Non-current assets	26,188,787	3,022,307	6,366,795	14,797,735	11,832,280	-	7,299,991	54,907,913
Liabilities	199,418,199	71,781,877	12,360,306	21,463,228	32,895,299	325,305	65,636,419	272,607,795
Depreciation and amortization expenses	1,570,518	71,498	358,025	948,121	119,469	-	-	3,067,631
Assets impairment losses	2,603,022	313,774	145,043	1,493,641	14,054	-	-	4,569,534
Increase in other non-current assets other than long-term equity investments	2,821,536	192,965	351,590	452,366	64,290	-	-	3,882,747

(b) Segment information for the year ended 31 December 2014 and as at 31 December 2014

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	178,416,066	22,852,664	10,234,645	4,264,231	3,099,213	-	3,081,047	215,785,772
Including: Revenue from external customers	176,260,680	22,776,449	10,204,842	4,016,115	2,527,686	-	-	215,785,772
Revenue between segments	2,155,386	76,215	29,803	248,116	571,527	-	3,081,047	-
Operating costs	156,709,625	18,761,768	8,985,863	3,898,858	2,804,249	-	3,275,807	187,884,556
Including: External costs	154,251,641	18,759,026	8,943,433	3,665,729	2,264,727	-	-	187,884,556
Costs between segments	2,457,984	2,742	42,430	233,129	539,522	-	3,275,807	-
Operating profit/(loss)	4,142,552	2,571,648	(96,388)	(1,645,094)	210,180	(208,280)	(315,629)	5,290,247
Including: Interest income	1,027,287	136,806	84,486	46,913	787,517	-	655,259	1,427,750
Interest expense	3,610,981	229,268	248,300	583,616	683,375	-	655,259	4,700,281
Investment income/(loss) from associates and joint ventures	(93,300)	(5,515)	-	-	2,577	-	-	(96,238)
Non-operating income	920,305	288,743	118,705	357,822	13,559	-	-	1,699,134
Non-operating expenses	208,400	21,478	23,070	27,958	3,170	-	-	284,076
Total profit/(loss)	4,854,457	2,838,913	(753)	(1,315,230)	220,569	(208,280)	(315,629)	6,705,305
Income tax expense	1,413,532	810,233	61,270	(278)	79,193	-	-	2,363,950
Net profit/(loss)	3,440,925	2,028,680	(62,023)	(1,314,952)	141,376	(208,280)	(315,629)	4,341,355
Assets	202,812,438	95,974,079	18,461,505	21,661,756	36,578,109	3,316,126	52,825,534	325,978,479
Including: Long-term equity investments in associates and joint ventures	3,274,750	660,069	-	-	4,392	-	-	3,939,211
Non-current assets	24,564,376	3,373,398	6,302,625	17,203,933	11,642,299	-	6,537,239	56,549,392
Liabilities	190,046,768	74,668,995	11,390,317	20,148,482	29,155,190	481,873	57,937,654	267,953,971
Depreciation and amortization expenses	1,624,619	76,863	358,016	1,141,582	90,583	-	-	3,291,663
Assets impairment losses	2,708,986	122,634	88,162	425,960	(47,358)	-	-	3,298,384
Increase in other non-current assets other than long-term equity investments	1,727,932	199,869	140,829	488,478	75,913	-	-	2,633,021

(3) *Other notes*

- (a) Revenue from external customers classified by source of income and non-current assets classified by geographic locations

All amounts in RMB'000

Operating revenue	Amount recognized in the current year	Amount recognized in the prior year
China	201,181,659	203,594,019
Other countries/regions	16,142,313	12,191,753
Total	<u>217,323,972</u>	<u>215,785,772</u>

All amounts in RMB'000

Non-current assets	Closing balance	Opening balance
China	42,732,119	41,974,828
Other countries/regions	12,175,794	14,574,564
Total	<u>54,907,913</u>	<u>56,549,392</u>

- (b) The dependency on major customers

There is not any external customer the revenue from whom counted over 10% of the operating revenue of the Group.

2. *Earnings per share*

- (1) *When calculating earnings per share, net profit for the current year attributable to ordinary shareholders*

All amounts in RMB'000

	Amount for the current year	Amount for the prior year
Net profit for the current year attributable to shareholders of the Company	4,801,562	3,964,938
Including: Net profit from continuing operations	4,801,562	3,964,938
Less: Net profit belong to the perpetual bond holders	170,010	—
Net profit for the current year attributable to ordinary shareholders	4,631,552	3,964,938

- (2) *For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares*

All amounts in thousand shares

	Amount for the current year	Amount for the prior year
Number of ordinary shares outstanding at the beginning of the year	19,110,000	19,110,000
Add: Weighted average number of ordinary shares issued during the year	—	—
Less: Weighted average number of ordinary shares repurchased during the year	—	—
Number of ordinary shares outstanding at the end of the year	19,110,000	19,110,000

(3) *Earnings per share*

All amounts in RMB

	Amount for the current year	Amount for the prior year
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	0.24	0.21
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.24	0.21
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	Not applicable	Not applicable
Diluted earnings per share	Not applicable	Not applicable

XII. DIVIDENDS

MCC's consolidated net profit attributable to shareholders of the Company in 2015 was RMB4,801,561,800, and MCC's undistributed profit was RMB1,394,324,400. The Company proposed to use the total share capital of 19.11 billion shares at the end of 2015 as the base to all shareholders that a cash dividend of RMB0.55 (tax inclusive) will be distributed for every 10 shares and the total cash dividend is RMB1,051,050,000, accounting for 21.89% with respect to the net profit attributable to the shareholders of the company in the consolidated statement. The remaining undistributed dividend of RMB343,274,400 will be rolled over to the coming year for distribution. The foregoing profit dividend proposal shall be subject to examination and approval by the Shareholders' Meeting before it is implemented.

XIII. SHARE CAPITAL

(I) Changes in Ordinary Shares

During the Reporting Period, there were no changes in the total number of ordinary Shares and share capital structure of the Company.

(II) Issue and Listing of Securities

As considered by the tenth meeting of the second session of the Board of the Company held from 24 to 25 August 2015, and as approved by the 2015 second extraordinary general meeting, 2015 first A Shareholders' class meeting and 2015 first H Shareholders' class meeting held on 15 October 2015, the Company intended to conduct equity refinancing through non-public issuance of A Shares to not more than 10 specific investors. In light of changes in capital markets, as considered by the eighteenth meeting of the second session of the Board, the issue price, pricing principal and issue amount were proposed to be adjusted and submitted to the Board for consideration on 19 February 2016. As of the date of disclosure of this report, the above adjustments to the plan of the non-public issuance of A Share have been approved by the SASAC. After the adjusting, the non-public issuance of A Shares needs to be approved by CSRC, and the relevant work is being carried out steadily.

(III) Particulars of Shareholders and De Facto Controller

1. Total Number of Shareholders

Total number of ordinary Shareholders of the Company as of the end of the Reporting Period was 639,217.

2. Shareholding of the top 10 Shareholders as of the end of the Reporting Period

Unit: Share

Name of Shareholder (full name)	Change during the Reporting Period	Number of Shares held at the end of the period	Shareholding of the top 10 Shareholdersa				Nature of Shareholder
			Percentage (%)	Number of Shares subject to selling restrictions	Shares pledged or frozen	States of Shares	
China Metallurgical Group Corporation	0	12,265,108,500	64.18	0	–	–	State-owned legal person
HKSCC Nominees Limited	3,249,000	2,841,775,000	14.87	0	–	–	Others
China Securities Finance Corporation Limited	277,081,358	277,081,358	1.45	0	–	–	Others
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	90,087,800	90,087,800	0.47	0	–	–	State-owned legal person
China Construction Bank –SSE 180 Trading Open-ended Index Securities Investment Fund (中國建設銀行– 上證180交易型開放式指數證券投資基金)	2,019,758	13,832,725	0.07	0	–	–	Others
Huang Canliang (黃燦良)	-1,272,840	12,530,160	0.07	0	–	–	Others
Li Jinwen (李錦文)	11,076,245	11,076,245	0.06	0	–	–	Others
Industrial and Commercial Bank of China Limited – Harvest Event-driven Securities Investment Fund (中國工商銀行股份有限公司– 嘉實事件驅動股票型證券投資基金)	10,879,000	10,879,000	0.06	0	–	–	Others
Industrial and Commercial Bank of China Limited – Huatai Bairui CSI 300 Trading Open-end Index Securities Investment Fund (中國工商銀行股份有限公司– 華泰柏瑞滬深300交易型開放式指數證券投資基金)	-9,947,068	10,574,135	0.06	0	–	–	Others
Bank of China Limited – Harvest CSI 300 Trading Open-end Index Securities Investment Fund (中國銀行股份有限公司– 嘉實滬深300交易型開放式指數證券投資基金)	-16,488,500	10,158,010	0.05	0	Pledged or frozen	5,400	Others

3. *Controlling Shareholders*

MCC Group, the Controlling Shareholder of the Company, was established on 18 December 1982 and the legal representative is Guo Wenqing. The scope of business operations is general contracting of various kinds of domestic and international engineering; various kinds of engineering and technology consulting services and leasing of engineering equipment; technology development, technical services, technical exchange and transfer of technology of new materials, new techniques, and new products related to engineering and construction; development, production and sales of equipment required for the metallurgical industry; property development; bidding agent; undertaking various types of international industrial and civil construction, engineering consulting, surveying, design and leasing of equipment; import and export business; sales of mechanical and electrical products, cars, building materials, instrument and apparatus, and hardware and electric materials; research, planning, survey, design, supervision and services for construction and installation projects of mechanical and electrical equipment and related technology; development and sale of raw materials and products of papermaking; resource development, processing and utilization of metallic mineral products and relevant services. As at the end of the Reporting Period, MCC Group had an indirect shareholding of 23.59% in Huludao Zinc Industry Co., Ltd. (000751) through MCC Huludao Nonferrous Metals Group Co., Ltd.

On 8 December 2015, the Company received a notice from MCC Group that, pursuant to an overall arrangement made by the Central Committee of the Communist Party of China and the State Council on the comprehensively deepening reform and the general requirements of the reform of state-owned enterprises, the SASAC of the State Council approved the strategic restructuring between MCC Group and China Minmetals Corporation (the “China Minmetals”), whereby the entire MCC Group will be consolidated into China Minmetals. It remains unchanged that MCC Group is the controlling shareholder of MCC and the SASAC of the State Council is the ultimate controller of MCC. CSRC and the SFC have exempted the obligation to make a mandatory general offer for shares of the Company due to the strategic restructuring of China Minmetals. As of the date of this Report, the relevant changes of equity interests have not been completed.

4. *De facto controller*

The de facto controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

(IV) Other Corporate Shareholders Holding More Than 10% of the Company's Shares

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

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

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

XV. OVERALL CONDITION OF COMPANY'S MANAGEMENT AND CORPORATE GOVERNANCE

During the Reporting Period, the Company continued to comply strictly with laws and regulations including the Company Law, the Securities Law, the relevant requirements of regulatory authorities such as CSRC, as well as the relevant requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, constantly standardized the corporate governance and optimized the corporate systems and mechanisms. The general meetings of the Company, the Board and its special committees as well as the Supervisory Committee operated in compliance with the laws and regulations in an efficient manner, and further improved the governance level of the Company.

Pursuant to the latest regulatory requirements of regulators and the actual operation of the existing governance system of the Company, the Company revised its governance system such as the Articles of Association of MCC and the Rules of Procedures for Board Meetings (《董事會議事規則》) during the Reporting Period to ensure that the operation of the Company was carried out in compliance with laws. By the end of the Reporting Period, there were no other changes in the Articles of Association other than the revision on Article 8, Article 79, Article 102, Article 103, Article 117, Article 144, Article 148, Article 154, Article 172, Article 220, Article 221 and Article 222 as approved at the general meeting in relation to internet voting of the general meeting, separate counting of votes of minority shareholders, terms of reference of the Board, main duties of the strategy committee of the Board, terms of reference of the president of the Company, basic principles for the Company's profit distribution policy, specific policy regarding the Company's profit distribution and procedures for considering the distribution policy, etc.

The Board of the Company has reviewed the corporate governance report of the Company. The Board is of the view that during the Reporting Period the Company has complied with the requirements of the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules.

XVI. MODEL CODE FOR SECURITIES DEALINGS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of List Issuers 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 themselves and their associates had complied with the required standard provisions and requirements provided by the above code during the Reporting Period.

XVII. WORK REVIEW OF THE FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Company and its subsidiaries in collaboration with the Company's management, and has discussed with the Directors on matters in relation to the internal control and the financial reporting of the Company, including the review of the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2015.

XVIII. AGM

The Company will give notice in relation to the AGM of the closure of its register of members once the date of the AGM is determined. Pursuant to Rule 13.66(1) of the Listing Rules, relevant notice will be given at least ten business days before such closure.

XIX. AUDITOR

Upon approval at the 2014 AGM of the Company, the Company appointed Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) (the "Deloitte Touche Tohmatsu") as its auditors for the year 2015, and was responsible for the annual audit and interim review of the financial statements of the Company prepared in accordance with Accounting Standard for Business Enterprises. Meanwhile, Deloitte Touche Tohmatsu also provided the Company with internal control audit services in relation to financial reports and provided part of the subsidiaries with statutory financial audit services.

The audit and review fees for the financial statements for the year are RMB22.3 million, while the internal control audit fees for the year are RMB3 million.

Deloitte Touche Tohmatsu has provided annual audit services for the Company for two consecutive years. The signing certified public accountants for the 2015 audit report are Ma Yan Mei and Chen Wen Long, by whom audit services have been provided for two consecutive years to the Company as the signing certified public accountants.

XX. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2015 will be available on the website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.mccchina.com) on or before 30 April 2016 for inspection by the Shareholders.

XXI. DEFINITIONS OF COMMON TERMS

“the Company, MCC”	Metallurgical Corporation of China Ltd.*, a joint-stock limited company with limited liability incorporated under the laws of the PRC on 1 December 2008 or, where the context refers to any time prior to its incorporation, the businesses which its predecessors were engaged in and which were subsequently assumed by it persuade to the parent reorganisation
“China or PRC”	the People's Republic of China, excluding, for the purposes of this document, Hong Kong, Macao and Taiwan
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“State Council”	the State Council of the People's Republic of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“MOHURD”	Ministry of Housing and Urban-Rural Development of the People's Republic of China
“CSRC”	the China Securities Regulatory Commission
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Shanghai Listing Rules” or “A Share Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules” or “H Share Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Controlling Shareholder, MCC Group”	China Metallurgical Group Corporation

“Shareholders’ Meeting”	the shareholders’ meeting of Metallurgical Corporation of China Ltd.*
“MCC Real Estate”	MCC Real Estate Group Co., Ltd.
“Shareholder(s)”	holder(s) of share(s) of the Company
“Board”	the board of directors of Metallurgical Corporation of China Ltd. *
“Director(s)”	the director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors
“Independent Director, Independent Non-executive Director”	a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“Supervisor(s)”	the supervisor(s) of the Company
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*
“Reporting Period”	from 1 January 2015 to 31 December 2015
“A Share(s)”	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“Renminbi or RMB”	Renminbi, the lawful currency 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
“Corporate Governance Code”	the revised Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules of Hong Kong Stock Exchange, which took effect from 1 April 2012

The forward-looking statements contained in this announcement regarding the Company’s future plans and others do not constitute any substantive commitment to investors and investors are reminded of investment risks.

Unless otherwise specified, all the amounts in this announcement are denominated in RMB.

By order of the Board
Metallurgical Corporation of China Ltd.*
Lin Xiaohui
Company Secretary

Beijing, the PRC
29 March 2016

As at the date of this announcement, the Board of the Company comprises two executive directors, Mr.Guo Wenqing and Mr.Zhang Zhaoxiang; two non-executive directors, Mr.Jing Tianliang and Mr.Lin Jinzhen; and three independent non-executive directors, Mr.Yu Hailong, Mr.Ren Xudong, and Mr.Chan Ka Keung Peter.

* *For identification purpose only*