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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)

2016 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 2016. The highlights are as follows:

- Operating revenue amounted to RMB219,558 million, representing a year-on-year increase of RMB2,234 million or 1.03% from RMB217,324 million in 2015.
- Operating profit amounted to RMB6,994 million, representing a year-on-year increase of RMB1,055 million or 17.77% from RMB5,939 million in 2015.
- Net profit amounted to RMB5,970 million, representing a year-on-year increase of RMB1,021 million or 20.63% from RMB4,949 million in 2015.
- Net profit attributable to shareholders of the Company amounted to RMB5,376 million, representing a year-on-year increase of RMB574 million or 11.96% from RMB4,802 million in 2015.
- Basic earnings per share amounted to RMB0.25, and the basic earnings per share of 2015 amounted to RMB0.24.
- As at 31 December 2016, total assets amounted to RMB377,492 million, representing an increase of RMB33,729 million or 9.81% from RMB343,763 million as at 31 December 2015.
- As at 31 December 2016, total shareholders' equity amounted to RMB83,108 million, representing an increase of RMB11,953 million or 16.80% from RMB71,155 million as at 31 December 2015.
- Newly signed contracts amounted to RMB502,404 million, representing an increase of RMB100,818 million or 25.10% from RMB401,586 million in 2015.

I. CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

The year of 2016 was a year which MCC hit new record highs in its operating results, made breakthroughs in its technological innovation, continuously optimized its business structure and accelerated its upgrades of operating model.

During the Reporting Period, the cumulative value of newly signed engineering contracts of the Company reached RMB502.404 billion, representing a year-on-year increase of 25.10%. The operating revenue amounted to RMB219.558 billion, representing a year-on-year increase of 1.03%, whilst the total profit amounted to RMB7.648 billion, representing a year-on-year increase of 7.06%, and the net profit attributable to Shareholders of the Company amounted to RMB5.376 billion, representing a year-on-year increase of 11.96%.

In 2016, we leveraged the driving force of “Optimization” which was rather powerful as a new driving force. For the value of newly signed contracts, non-metallurgical engineering contracts accounted for 90%. With a significant increase in fundamental construction business and the emergence of new emerging industries, the Company continued to make efforts in non-metallurgical engineering sectors including transport and municipal infrastructure, premium property construction, environmental engineering and alternative energy, integrated subterranean piping system, special engineering, sponge city, beautiful countryside and smart city to establish its new competitive edges and completed a batch of major projects with significant influence in the industry. Market share, construction mileage and various indicators of the Company in the integrated piping system market keep ranking the first in the PRC. Countering with the development opportunities coming from international capacity cooperation and overseas infrastructure market, the Company's layout focused 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 on over 30 important target markets. The Company has insisted on the importance of both metallurgical and non-metallurgical business, where the amount of newly signed overseas construction contracts recorded a significant increase of 39.5% year-on-year. While urban infrastructure, property development and land transportation projects had absolute advantages in overseas projects, the Company has become the vanguard of the national strategy of “One Belt, One Road” with immense power.

In 2016, we adhered to “Innovation” which enhanced our strength in technology. We have added 3 technological and innovative platforms and key laboratories at the national level, amounting to total of 20, and possess a total of 18,996 valid patents, which makes us continue to rank at the fourth place among the state-owned enterprises and rank the first among central enterprises in the construction industry. We obtained 3 second class national technology advancement awards and China Patent Gold Award. The number of outstanding awards has reached another new high, demonstrating the immense strength and potential of MCC which persisted in high-tech construction over a long period of time. The top 6 Technology Research Institutes, including integrated piping system, sponge city, beautiful countryside and smart city, water environment, healthcare industry and theme parks, have fully leveraged their technology as an engine to vigorously driven new technology innovation of the Company.

In 2016, we stood by our “Accomplishment”, and the structural supply-side reformation achieved remarkable results. The first re-financing of MCC in capital markets since its listing 7 years ago was successfully completed, which improved the capital structure of the enterprise. With both deficiency improvement and mid-to-high end advancement, the Company reduced inefficient and wasted supply and minimized costs, loss and liabilities, while enhancing efficient and mid-to-high end supply with creative design, system processing services to integrate investment, construction and operation, “Internet+”, and remote diagnosis. With unceasing emergence of new service and new models, MCC has accelerated the change in its role to a problem-solver for urban and industrial development systems and a service provider on entire-lifecycle management of construction projects.

Brand reputation and industrial influence of MCC were substantially enhanced. The MCC Group, with MCC as its core asset, moved up to the 290th in the Top 500 Global Enterprises (世界企業500強) in 2016, and ranked 8th in the Top 250 Global Contractors selected by Engineering News Record (《工程新聞記錄》) of the United States. MCC was awarded the “Best Listed Company Award for Technological Innovation” (最佳科技創新上市公司獎) by Golden Bauhinia and the Top 100 Chinese Enterprises and the Most Innovative Listed Company Award (中國百強企業及最佳創新上市公司獎) by the Top 100 Listed Companies Summit Forum (上市公司百強高峰論壇) and Top 100 Chinese Cities Comprehensive Development Forum (中國百強城市全面發展論壇).

The year of 2017 is a critical year for the PRC to implement the “Thirteenth Five-Year Plan” and a year for deepening the structural supply-side reformation. The economic development of the PRC will evolve to a higher level with a more optimised division and a more rational structure. The development trend of the iron and steel industry towards the reduction of production, greening, intellectualization and internationalization will continuously bring 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 smart operating services. The new people-oriented urbanised construction and metropolitan development, will take the infrastructure field and emerging strategic industries to a period of high-level improvement and great systematic development, all of which will provide MCC with tremendous opportunities for excellent and long-term achievements in the course of high-technology construction.

MCC will continue to persist with the vision of “focusing on the core businesses in building a better MCC” (聚焦中冶主業、建設美好中冶) unwaveringly and closely adhere to the strategic positioning of “being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies”. Taking advantage of the situation and the momentum, MCC will sharpen the traditional competitive edges of metallurgical business and enhance its advanced advantages in fundamental construction and new emerging industries and comprehensively enhance the core competitiveness of enterprises, so as to continue to create greater value with more outstanding results for investors.

II. BUSINESS OVERVIEW

(I) Explanation for the principal businesses and operating models of the Company and the industries in which the Company was involved during the Reporting Period

1. *Engineering Contracting Business*

(1) *Industry Overview*

In 2016, China has further advanced the reformation of key areas and segments based on the structural reformation of supply-side, and the reformation benefits have been emerging. Flourishing public entrepreneurship and collative innovation has increased the endogenous power of the economy. The integration into global economy has been driven by the accelerated pace of opening to the outside world. All these factors have consolidated the ongoing positive momentum. According to the statistics of the National Bureau of Statistics of China, the annual economic growth for 2016 is 6.7%, which, although slowed down, is maintained at a mid-high growth rate and continues to be at the forefront among the world's major economies. In 2016, the national investment in fixed assets (excluding farmers) amounted to RMB59,650.1 billion, representing an increase of 8.1%. The growth momentum has stabilized and rebounded.

In respect of the market of metallurgical engineering, China's regulation and control on the over production of the metallurgical industry and progressive implementation of policies such as the new environmental protection law led to an end to the large-scale and high-intensity construction period of the domestic iron and steel industry. On 14 November 2016, the "Plan for Regulation and Upgrade of the Iron and Steel Industry (2016–2020)" (《鋼鐵工業調整升級規劃(2016–2020年)》) issued by the Ministry of Industry and Information Technology was officially promulgated. The investment focus is on innovation, green development, intelligent manufacturing, quality brand, variety development, extended service and capacity cooperation. Subsequent development of the metallurgical engineering industry will mainly be technological transformation (capacity replacement), energy saving and emission reduction, industry upgrade and outward relocation of urban iron and steel enterprises. Also, fast and high-quality one-stop value-added services and comprehensive solutions covering the entire life cycle of iron and steel products have a stable market demand due to preference of owners.

In respect of the market of non-metallurgical engineering contracting, as the state has strengthened the reform of supply-side markets and effectively implemented national strategies and programs including "One Belt, One Road", the synergy of the Beijing-Tianjin-Hebei Region (京津冀協同) and the construction of the Yangtze River Economic Belt, the construction of infrastructure and urbanization in China has further sped up. In 2016, the investment in infrastructure (excluding production and supply of electricity, heat, gas and water) amounted to

RMB11,887.8 billion, representing an increase of 17.4% compared with last year. Among which, the investment in water resources management, public facilities management, road transportation and railway transportation industries grew by 20.4%, 22.9%, 15.1% and dropped by 0.2%, respectively. In 2016, gross floor area under construction by property developers was 7,589.75 million square meters (“sq.m.”), representing an increase of 3.2% as compared with last year. Among which, gross floor area of new accommodation construction was 1,159.11 million sq.m., representing a year-on-year increase of 8.7%.

(2) The Operating Results of the Business

As a national innovative enterprise with a strategic positioning of “being the national team for metallurgical construction, the major force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies”, the Company has actively carried out transformation and upgraded based on excellent scientific research, investigation, design, building capacity and made outstanding achievements in the engineering contracting segment. In 2016, in relation to the metallurgical construction, the Company has further opened its mind and advanced with time so as to take the responsibility of elevating China’s metallurgical industry to a higher standard of development, leveraging on its unceasing innovation and irreplaceable integration advantages in the entire industrial chain of metallurgical industry. The Company has established its core technology and control ability in the 8 major units and 19 business units in the traditional metallurgical process with its focus on capacity replacement, relocation projects for urban steel plants and metallurgical energy-saving and environmental protection technology transformation market, thus consolidating its position as the “national team for metallurgical construction”. As a major force of infrastructure construction in China, the Company fully utilized the enormous composite force of “three forces in one” comprising the Group, the subsidiaries and the regional branches, further strengthened the design and operation of macro environment, heavyweight clients and mega projects, optimized the market deployment, strengthened its ability to contract “high-tech, new, multi-functional and large-scale” projects and stepped up its efforts of market development in non-metallurgical sectors such as premium property construction, highways, regional development and transport and municipal infrastructure and achieved remarkable results. The Company has made great efforts in emerging industries to increase its competitiveness in the emerging markets by resources integration, technology advancements and change in marketing thinking. It has made major breakthroughs in emerging industries such as integrated piping system, special engineering, sponge city, beautiful countryside and smart city, marking its industry-leading position as the “forerunner of the emerging industries”. During the Reporting Period, the new construction contracts of the Company amounted to RMB456 billion, representing a leaping growth for three consecutive years to a record high. Among which, newly signed metallurgical engineering contracts amounted to RMB45.8

billion and newly signed non-metallurgical engineering contracts amounted to RMB410.2 billion. Non-metallurgical contracts accounted for 90% of the new construction contracts for the year, and non-metallurgical engineering projects contributed to 74.57% of operating revenue of the engineering segment. The project reserve and sustainability of the Company showed a steady increase.

The overall operating results of the engineering contracting business in 2016

Unit: RMB'000

	2016	% of the total	2015	Year-on-year growth
Segment revenue	187,638,690	84.07%	186,304,107	0.72%
Gross margin (%)	11.05	–	12.54	Decreased by 1.49 percentage points

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

① Metallurgical engineering market

Being a pioneer and founder of the iron and steel industry in China, the Company adheres to its position of the “national team for metallurgical construction” to propel the implementation of the top-level design plan and strategies by a national team of advisers. The Company pushed forward the integration of internal resources and professional echelon division. It is committed to creating a competent and the strongest lineup, continuously increasing the competitiveness and influence of the Company in the international iron and steel engineering technology sector. During the Reporting Period, the Company continued to leverage on its core technology advantage and integration advantage in the entire industrial chain of steel, iron and metallurgical industry to closely monitor project information and enter into many new major metallurgical construction projects, further consolidating its position as the “national team for metallurgical construction.”

② Non-metallurgical engineering market

As the “major force for fundamental construction” and the “forerunner of the emerging industries”, the Company bears in mind that “markets are the foundation and the ground for enterprise development and are of the first priority for an enterprise to survive, develop, transform and upgrade”. In line with the national strategy, the Company integrated its advantages and resources and further optimized the market

deployment in dynamic developed regions including the “One Belt, One Road” region, the Beijing-Tianjin-Hebei, the Yangtze River Delta and the Pearl River Delta. With research in business models, it made efforts in non-metallurgical engineering sectors such as transport and municipal infrastructure, premium property construction, environmental engineering and alternative energy, integrated piping system, special engineering, sponge city, beautiful countryside and smart city to establish its new competitive edges and complete a batch of major projects with significant influence in the industry. During the Reporting Period, 159 non-metallurgical major engineering projects had a new contract amount exceeding RMB500 million. Currently, the proportion of newly signed contracts amount of non-metallurgical businesses of the Company to newly signed construction contracts amount has reached 90%, evidencing the fruitful results from the structural adjustment, transformation and upgrade to construction products.

Since 2014, the State Council, the Ministry of Finance and the National Development and Reform Commission have frequently issued various documents to promote the PPP model, while all provincial governments have also issued guidelines on the PPP model, which forms a vertical linkage in the State. As a national strategy advocated by the government, the PPP model is expected to remain in the long run and be increasingly popular. As all infrastructure construction will adopt the PPP model in the future, the PPP model will have a broad prospect for application in railway, highway, rail transit, stadium, hospital, municipal environmental protection, underground piping system and other aspects. MCC has actively seized this strategic opportunity to raise its new contract amount, expand its business scale and drive its transformation and upgrade. The PPP projects in which MCC participated mainly adopted a cooperation model with banks, trusts, funds and other financial institutions. The government, state-owned enterprises and financial enterprises cooperated and unleashed their own strengths. In 2016, the Company won the bids for 122 PPP projects with a total investment of RMB253.785 billion and a construction contract amount of RMB175.05 billion. In terms of industry distribution, the PPP projects mainly included road, industry park and its infrastructure construction, integrated piping system, shantytown transformation and public housing, public construction and ecological construction projects.

Maintaining a competitive edge in the fundamental construction field

In the transport and municipal infrastructure field, the Company is able to provide full industrial chain services such as survey, design, construction, supervision, investment and financing and operation, which together offers strong

capabilities for providing transportation investment and construction operation services, and the Company successfully undertook series of landmark transport and municipal construction. Meanwhile, the Company strengthened its efforts in the marketing of key industries such as railroad transportation and airport, and integrated the resources of the Group while establishing MCC Rail Transportation Company Limited in 2017, which provides a solid foundation for the further expansion of the transport and municipal market. During the Reporting Period, the Company undertook 20 new transport and municipal infrastructure projects, each of which with contract amount over RMB1 billion, which further expanded the influence of the Company in the transportation and municipal infrastructure field, resulting in a significant enhancement in the Company's profitability and sustainable development capability.

In the building construction and premium property construction field, as at the end of the Reporting Period, the Company obtained 11 premium class qualifications for property construction. Leveraging the technological innovation in respect of ultra-high-rise buildings, large public venues and municipal large public facilities, and its extensive experience in project management, and through accelerating the enhancement of professional construction capability and market competitiveness and proactively seizing premium projects while expanding high-end markets, the Company strived to create brand value for premium property construction and has successfully undertaken numerous influential projects which grasped the attention of the market. During the Reporting Period, the Company has entered into numerous new major projects, which brought a rapid and healthy development to the Company's premium property construction business.

In the environmental engineering and alternative energy resources field, leveraging the enormous strength in scientific research and capability of independent innovation, the Company continues to enhance the input and development in environmental engineering and alternative energy resources. The Company is currently capable of providing full process services of technology research, consultation, design, equipment supply, project contracting, commissioning and project management and engineering operation management in sewage treatment, comprehensive treatment of municipal waste, municipal pipe network construction for water, electricity and heating utilities, photovoltaic power generation. In 2016, the Company established Technology Research Institute of Water Environment and created a water treatment brand of "One Low Three Highs" (i.e. low cost, high standard, high technology and high quality) with MCC's features. During the Reporting Period, the Company entered into numerous new major environmental protection projects, which further enhanced the Company's brand influence on environmental engineering and alternative energy field.

A new driving force formed by the emerging businesses

In the special engineering field, the Company is currently the only enterprise qualified for theme park design and construction in China, and an expert in the field of special engineering, which has established strategic partnership with DreamWorks, LEGO and 20th Century Fox. The Company establishes solid innovative thinking, digs into the culture deeply and keeps strengthening the capability of independent innovation to turn its technical characteristics to represent theme parks and movie parks and its high value-added cultural industry construction, into its advantages in special engineering development, and enjoys a high reputation in the industry. At present, the Company has completed the construction for a number of themed projects, such as Universal Studios Singapore Sentosa, Guangdong Zhuhai Chimelong Ocean World (廣東珠海長隆海洋世界) as well as the Adventureland and Tomorrowland project of Shanghai Disney Resort (上海迪士尼度假區探險島和明日世界項目). Jiangsu Huai'an Theme Park of Journey to the West (江蘇淮安西遊記主題公園), currently under construction as a general contracting project, has filled in the spaces for the lack of Chinese culture in special engineering segment in the world. During the Reporting Period, the Company built the largest indoor theme park in China – Nanjing Dongfang Dragon Valley project (南京東方龍之谷項目) in general contracting model, leading the Company to further establish its leading position in the special engineering construction industry.

In the municipal integrated subterranean piping system field, as the earliest constructor of the integrated subterranean piping system in the PRC, the Company seized the critical strategic opportunities brought by the PRC's promotion of the construction for integrated subterranean piping system and continuously explored new models for municipal integrated piping system. In the field of integrated piping system, the Company has become the bearer of national mission, a marketing leader and an explorer of scientific research and development. It puts utmost efforts to build "MCC piping system" brand with broad influence and powerful control. Not only did the Company actively participate in the preparation of national integrated piping system standards, it also set up the first specialised company for investing in and construction of piping system, the first domestic piping system technology research institute and the first hundred-billion level construction fund for piping system. The Company can provide consultation, planning, survey, design, construction, supervision and operating services based on specific situations of the relevant cities and projects. The Company possesses incomparable professional comprehensive capability and overall strength in the whole process of the projects and entire industrial chain. During the Reporting Period, the Company won the bidding of 39 PPP and general contracting construction projects for integrated

subterranean piping system in Xi'an, Lanzhou, Shenzhen and other cities with total length of 508.4 km and investment amount of RMB50.132 billion. New contracted consultation and design projects covered 314.88 km, and planning projects covered 995.23 sq.m. The Company remained at the leading position in the domestic piping system market.

In the sponge city field, the Company has the construction and services capabilities for the entire industry chain of sponge city construction industry to provide thorough and comprehensive services to clients to fulfil their demand for integrated, systematic and intensive sponge city constructions. Based on the establishment of the MCC Technology Research Institute of Sponge City, the Company concentrates its superiority to break through the common areas and key technologies in order to prepare a scientific development plan for sponge city and is dedicated to the project development and construction in the sponge city sector. During the Reporting Period, the Company won the bid for projects including the EPC project of Infrastructure Construction of Apollo Future City in Long Gang District, Shenzhen, the integrated design project of Wuhan Optics Valley Center (sponge city) and the Reconstruction Engineering of Sponge City of Guobo Center Project. Among which, the EPC project of Infrastructure Construction of Apollo Future City in Long Gang District, Shenzhen is the Company's first EPC project in first-tier cities of China incorporating municipal integrated piping system and sponge city, which aroused widespread attention within the industry.

In the beautiful countryside and smart city field, the Company has actively implemented the State's development concept of "Ecological civilization to build a beautiful China" to combine the constructions of beautiful countryside and smart city and seize the preemptive opportunities leveraging on the capabilities on technological research and development of the MCC Technology Research Institute of Beautiful Countryside and smart City. During the Reporting Period, the Company won the bid for projects including the beautiful countryside construction project of Shiyan Village, Haiyou Town, Sanmen County, Zhejiang (浙江省三門縣海遊街道石岩村建設美麗鄉村項目), the tourism and beautiful countryside construction project of Yanjin County, Yunnan (雲南鹽津縣全域旅遊及美麗鄉村建設項目), Shehonghu Peninsula International Resort Retirement Community Project (射洪湖半島國際度假區養老社區項目) and the smart planning of Internet Industry Park Phase II in Liangjiang New Area (兩江新區互聯網產業園二期智慧規劃). It has made new contribution to the harmonious development of human and nature and the advancement in the construction of the "beautiful China" and achieved good social and economic benefits.

The major non-metallurgical projects drive the rapid development of the Company in the infrastructure and

emerging industry sectors, optimize the Company's product line-up, enhance the brand influence and the ability to resist market risks, and further consolidate the position of "the major force for fundamental construction and the forerunner of the emerging industries" of the Company.

③ Overseas Construction Market

- Overseas construction contracting industry

According to the statistics of the Ministry of Commerce, domestic investors made non-financial direct investments in a total of 7,961 overseas enterprises across 164 countries and regions around the world throughout the year of 2016, realizing an accumulated investment of RMB1,129.92 billion (equivalent to USD170.11 billion and a year-on-year increase of 44.1%). Overseas construction contracting recorded a turnover of RMB1,058.92 billion (equivalent to USD159.42 billion and a year-on-year increase of 3.5%) for the year, with the value of newly signed contracts of RMB1,620.79 billion (equivalent to USD244.01 billion and a year-on-year increase of 16.2%). By the end of 2016, there were approximately 970,000 Chinese overseas workers of various kinds, representing a slight year-on-year decrease of 5.6%.

- Primary model and geographical coverage of overseas business operations

The Company closely focused on China's external policies, resources and the strategy of international capacity cooperation as well as development opportunities in the overseas infrastructure market; and the Company's layout focused 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 on important target markets. In response to the dampening steel market all over the world, we switched our focus to the exploration of non-metallurgical projects, and urban infrastructure, property development and land transportation projects had absolute advantages in overseas projects.

In 2016, the Company optimized and reorganized the selected layout of overseas markets by adding new hotspots and potential regions along the "One Belt, One Road", popular countries for steel capacity cooperation, countries which had restored their national stabilities and strived to develop infrastructure and civilian facilities and countries in line with the target of the financial institutions financing policy. The Company gradually made adjustments to 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 participate in the implementation of the national strategy of “One Belt, One Road”, the Company became the vanguard of the national strategy of “One Belt, One Road” with immense power. The Company executed selected layout and from time to time carried out optimization and dynamic re-organization for 7 major regions and 30 important target markets. As at the end of the Reporting Period, the Company operated a total of 139 overseas engineering institutes (including their offices, divisions, branches, local companies, etc.) across 51 countries and regions.

- Overseas market operation

During the Reporting Period, the value of newly signed overseas contracts of the Company amounted to RMB57.31 billion, accounting for an increase of 39.5% compared to the amount of RMB41.07 billion for the corresponding period of last year. Among the newly signed overseas construction contracts, contracts for metallurgy projects accounted for 19.8% and contracts for non-metallurgy projects accounted for 80.2%.

The Company strengthened the tracking of key projects, representing a significant growth in terms of number and contract value of projects under track as compared to the corresponding period of last year.

- Overseas projects

During the Reporting Period, the Company operated a total of 329 overseas projects under construction with contract value of USD16.577 billion.

Among the 329 overseas engineering projects under construction, there were a total of 37 substantial overseas projects (i.e. contract value exceeding USD100 million) with contract value of USD12.671 billion, accounting for 76.44% of the total contract value of projects under construction. The substantial overseas projects included:

1. 1#2# Blast Furnace Project for Ha Tinh Steel Plant (台塑河靜鋼廠1#2#高爐工程項目).
2. Construction Project for Ha Tinh Steel Converter Plant (Phase I) (台塑河靜鋼鐵轉爐工廠一期新建工程項目).

The abovementioned Ha Tinh Steel Project in Vietnam is currently the largest EPC project relating to steel construction undertaken by a Chinese contractor overseas. A total of 11 group

subsidiaries of the Company participated in the project by engaging in not only preliminary consultation and overall design but also supply of major equipment, key construction as well as serving as the chief technical consultant and provider of repair and maintenance services to satisfy customer needs, which established the goal of providing one-stop and all-round services for overseas steel projects and demonstrated our ample strength as a national team for metallurgical construction, creating favorable advantages for us to undertake the Greenland Steel Project under the policy of “One Belt, One Road” in the near future.

3. Kuwait 866 Project (科威特866項目). This project is located at a comprehensive residential area, which consists of villas, high-rise buildings, nursery school, primary school, girls’ college, girls’ high school, boy’s college, boy’s high school, restaurants, mosque, gas station, commercial center, police office, government office, hospital, shops, emergency service building, etc. As at the end of the Reporting Period, the project was about to complete.
4. College of Science and the Faculty Club Project in Kuwait University Town (科威特大學城科學院與教員俱樂部項目).
5. College of Engineering and Petroleum Project in Kuwait University Town (科威特大學城石油與工程學院項目).

As of the date of the report, the above three projects in Kuwait are together the largest general contracting project undertaken by MCC in the Middle East. The winning of the bid for this project had secured the leading position for MCC among the Chinese enterprises in Kuwait.

6. 300MV Photovoltaic Power Station Project of Zhongxing Energy in Punjab Province in Pakistan (中興能源巴基斯坦旁遮普省300MV光伏電站項目). The project is one of the China-Pakistan cooperative projects signed by Xi Jinping, general secretary of the CPC, during his state visit in Pakistan in April 2015. It was one of the starters for the construction of China–Pakistan Economic Corridor and also one of the key construction works for the beginning of the strategic selected layout under the national strategy of “One Belt, One Road”. Upon completion, it will become the largest individual photovoltaic power generation project in the world with an annual power generation of clean energy of approximately 1.271 billion kWh.

7. Outer Circular Highway, Northern Section II (OCH-NSII) Project in Sri Lanka (斯里蘭卡外環高速公路項目北二標(OCH-NSII)). The project is another important highway project undertaken by MCC in Sri Lanka following the CKE Airport Expressway Project, commonly known as the “Prime Expressway of the National Entrance” in Sri Lanka, which is a vital key to the well-being of the economic and social development in Greater Colombo Area.
8. T311 Railway Project in Singapore (新加坡T311地鐵項目). The winning of this bid for the railway project in Singapore symbolized a new page for MCC in the public infrastructure field, which not only increased the influence of the Company in the local construction engineering market but also provided support for the new strategic positioning of “being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies” of the Company, hence greatly intensifying the brand effect of MCC.
9. Toll Road Project in Indonesia (印尼收費公路項目). This project is the first project financed by prime loans undertaken by MCC in the competitive market in Indonesia and is also the second overseas project of the Company financed by prime loans. The winning of the bid for the project is a successful precedent for the tracking of projects of the same type in the future.
10. DCPL Coking Project for JSW in India (印度JSW DCPL焦化項目). The winning of this bid for the project further solidified the leading position of the Company in the coking coal market in India.

2. *Property Development Business*

(1) *Industry Overview*

In the real estate industry in China, regional differentiation, market segmentation and product upgrade have been taking place and have led to increasingly fierce competition among enterprises. In 2016, total transaction area of the domestic real estate market throughout the year was estimated to be over 1.5 billion sq.m., representing a growth of more than 15% as compared to that of 2015. The transaction amount was estimated to be nearly RMB12 trillion, representing an increase of more than 30% as compared to that of 2015. Both transaction area and transaction amount reached the new highs in the industry. For transaction price, the overall average transaction price in first-tier cities recorded a year-on-year increase and the growth rate of Shenzhen, being the highest one,

reached 49%, while the year-on-year growth rates in second-tier and third-tier cities varied significantly. The macro-control policies launched before and after the National Day in 2016 have relatively significant influence over market performance, as a result of which, the upward trend of property prices has to certain extent been contained. The recent property prices in first-tier and second-tier cities have recorded a stable performance, mainly due to a series of administrative control policy implemented by the government, such as “property price restriction”, “purchase restriction” and “mortgage restriction” and many other restrictions. As a result of the net outflow of population, there was still “de-inventory” pressure in third-tier and fourth-tier cities. In the long run, the real estate industry will remain a stable growth trend.

(2) *The Operating Results of the Business*

The property development business, as one of the primary businesses of MCC, has stable income and profits recorded in recent years. The Company does not seek to expand the business scale blindly. Instead, it pursues the improvement in product quality and brand building. As at the end of December 2016, MCC operated a total of 22 secondary subsidiaries that were engaging in the property development business with the focus on switching business type from multi-drivers of commodity property, affordable housing and primary land development to commodity property as the core business.

In 2016, the amount invested in property development was RMB14.298 billion, representing a year-on-year decrease of 8.4%, with construction area of 11.0902 million sq.m., representing a year-on-year decrease of 9.9%; among which, new construction area accounted for 1.8706 million sq.m., representing a year-on-year increase of 50.8%; completed area accounted for 1.8514 million sq.m., representing a year-on-year decrease of 37.3%; contract sales area accounted for 1.3879 million sq.m. with contract sales amount of RMB21.182 billion.

The overall operating results of the property development business in 2016

Unit: RMB'000

	2016	% of the total	2015	Year-on-year growth
Segment revenue	22,506,446	10.08%	19,441,290	15.77%
Gross margin (%)	27.24	–	20.10	Increased by 7.14 percentage points

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

The progress of the Company's major property development projects 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 Group Co., Ltd. (the "MCC Real Estate"), a subsidiary of the Company, 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 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 property 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. The Company recovered funds mainly through introducing strategic collaborators for strategic collaboration, or transferring the equity shares of the Project Company on Land no. 1. The land use of Land no. 3 includes the uses of mixed residential, commercial and financial, cultural and recreational, nursery and kindergarten, mixed business office and etc., 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 Project Fangjiaying and Project Binjiang were under sale and construction respectively, and Project Hutchison Matheson has been under initial planning works. 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). The inspection and acceptance of the entire project was completed on 26 February 2016 and the delivery of the property was completed on 31 October 2016. Refined decoration is almost completed. Between the first opening of the project on 18 October 2014 and the end of 2016, the Company sold 10 buildings, with cumulative contract sales area of 97,800 sq.m., and recorded good returns in sales.

- 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, it is promoting the construction and ancillary procedures of the project, of which Qixian Beili (7-09) is under renovation for interior and exterior eaves, and the ancillary procedures are basically completed. The application for the ancillary procedures of Qixian Nanli is in progress, and the main part of land B (7-11) is under construction. The application for the sales permit of building no. 1-4 is completed and the main part of land C (7-13) is under construction. The main body of land D (7-14) no. 5-7 has been topped out and is undergoing second structure construction. The project was opened on 4 July 2015. As at the end of 2016, 11 buildings were opened, i.e. buildings no. 1-4, 7, 8 and 10 of Qixian Beili (7-09), buildings no. 1-2 of Qixian Nanli land B (7-11), buildings no. 5 and 7 (apartment) of Qixian Nanli land D (7-14). The cumulative contract sales area was 119,800 sq.m. The sales return was good.
- ④ On 16 July 2013, MCC Real Estate Singapore Ltd. won the bid for the land development right with a term of 99 years of a land parcel at Tampines Avenue 10 (Parcel B) in Singapore (新加坡淡濱尼十道B地段地塊) at a public auction at a consideration of SGD289.7 million (equivalent to approximately RMB1.402 billion) for residential development (for details, please refer to the announcement of the Company dated 2 August 2013). “Tampines Avenue 10 (Parcel B) Apartment Development and Construction Project (淡濱尼十道B地段公寓開發建設項目)” is located at Tampines Avenue 10 in eastern Singapore, which is adjacent to Bedok Reservoir Park in Singapore (新加坡勿洛儲水池公園). The project has an area of 17,103 sq.m. with gross floor area of 52,676 sq.m. The project commenced construction in January 2014 and is expected to be completed in the first half of 2017. As of December 2016, the aggregate completed sales area amounted to 17,743 sq.m.
- ⑤ On 20 August 2014, MCC Real Estate Singapore Ltd. won the bid for a land parcel for the construction of private apartments in Potong Pasir in Singapore at a public auction at a consideration of SGD471.6 million (equivalent to approximately RMB2.358 billion) (for details, please refer to the announcement of the Company dated 22 August 2014). The project is located at Potong Pasir in central Singapore, which is 5km far from the central city, with an area of 16,149 sq.m. and planned gross floor area of 62,175 sq.m. It is a comprehensive project for both residential and commercial purposes and the first project of MCC Real Estate Singapore Ltd. in the high-end real estate business. 75% of the units of the project (Phase I) were sold out on the first date of launch on 28 November 2016 and the residential units were all sold out as of the date hereof. The project has maintained a satisfactory sales return after the launch of Phase II on 12

March 2017. By the end of December 2016, the aggregate completed sales area of the project amounted to 39,183 sq.m.

- ⑥ On 4 May 2015, MCC Real Estate Singapore Ltd. won the bid for a land parcel at Tampines Avenue 10 (Parcel D) in Singapore (新加坡淡濱尼十道D地段地塊) at a public auction at a consideration of SGD227.78 million (equivalent to approximately RMB1.041 billion). The project is erected on a land parcel owned by the Singapore government, for the construction of residential apartments, in eastern Singapore, which is adjacent to Bedok Reservoir (勿洛蓄水池) with an area of approximately 15,660 sq.m., plot ratio of 2.8%, gross floor area of approximately 43,850 sq.m. and building height restriction of 64 meters. The project consists of 626 units in 9 buildings, which is expected to be occupied from June 2020. The project was launched on 2 October 2016 and there were 274 units contracted on site on the same date, accounting for 43.77% to the total number of units for sale. By the end of December 2016, the aggregate completed sales area of the project amounted to 22,309 sq.m.

3. *Equipment Manufacture Business*

(1) Industry Overview

In 2016, given the slowdown in the growth of global economy, the over-capacity of domestic steel market, the substantial divestment in the steel industry and other related factors, the domestic metallurgical equipment manufacture industry was experiencing a dampened market with intensified competition and price drop and traditional manufacturers in domestic metallurgical equipment market were exposed to higher operational risks, some of which had encountered difficulties by recording significant losses. To promote transformation and upgrade in the metallurgical equipment manufacture industry, the government rolled out “Made in China 2025” (《中國製造2025》) and the Guidance Opinion on the Further Cooperation in Global Capacity and Equipment manufacture (《關於推進國際產能和裝備製造合作的指導意見》), the Guidance Opinion on the Promotion of “Internet +” Action (《關於積極推進“互聯網+”行動的指導意見》) and other documents on policies successively, which categorized the high-end equipment manufacture industry as one of the key emerging industries to be cultivated and developed by the country at the current stage. Looking forward, with the support of national policies and market demand, the government will proactively phase out underperforming products that were energy-consuming and result in serious pollution and develop high-end metallurgical products that would fulfil the requirements of energy conservation and emission reduction for the steel industry, which will become the focus for the development of the metallurgical equipment manufacture industry.

In addition, prosperous development could be seen in the steel structure industry in China. The steel structure market was mainly made up of metallurgy, electricity, road and bridge, marine engineering, housing construction, coliseums, transportation

hubs and other segments. As the steel structure is eco-friendly, environment-friendly, low-carbon and able to reduce the over-capacity of steel and possesses various advantages, the government promulgated the “Thirteenth Five-Year Plan for the Construction Industry” (《建築業十三五規劃》), State Council’s Opinion on Further Strengthening Urban Planning and Construction Management (《國務院關於進一步加強城市規劃建設管理工作的若干意見》) and other relevant policy documents successively with an aim to moderately promote the system of steel structure for construction, speed up the development of the technology of prefabrication and assembling in construction and keep improving the level of integrated technology for the industrialization of construction. With more resources being invested in infrastructure by the government in the future, the market of steel structure for construction will be focusing on energy, transportation, residential property and other related fields, with increasingly greater contribution from steel structure for construction of highways, railways and bridges. The above demands will in no doubt offer enormous room for the development of the steel structure industry in China.

(2) *The Operating Results of the Business*

The 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 other related services.

**The overall operating results of
the equipment manufacture business in 2016**

Unit: RMB’000

	2016	% of the total	2015	Year- on-year growth
Segment revenue	5,112,103	2.29%	9,270,661	-44.86%
Gross margin (%)	10.83	—	13.56	Decreased by 2.73 percentage points
	=====	=====	=====	=====

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

Being affected by the over-capacity in the domestic steel industry and the continuous decrease in demand in the metallurgical equipment market, the demand for metallurgical products decreased and there was extremely fierce competition in the market. Meanwhile, the intensified competition in the industry led to further decrease in products and the drop in the productivity and sales volume of metallurgical equipment integration and spare parts had resulted in the decrease in the total operating

revenue of the equipment manufacture segment of the Company. Since then, the Company has been gradually divesting from underperforming low-tech businesses with uncertain prospect and low profitability for its equipment manufacture segment and speeding up its process in the reorganization of the existing equipment manufacture drivers, providing support to the core technology of relevant businesses which would likely have a more favorable prospect. Moreover, the Company will adhere to its open strategy on development by integrating its domestic and overseas resources for design, manufacturing, construction and other related purposes through the formation of a full-value chain as one of its competitive strengths, and establishing global alliance for the equipment manufacture business through strategic cooperation, equity investment, etc. while maintaining its core competitiveness. In particular, such measures include: firstly, the Company will fully develop the role of R&D pilot base in the equipment manufacture business and gradually achieve the scalability, integration and industrialization of its products through the adoption of the core technology by the Company onto the products during the R&D process at the R&D pilot base, secondly, it will continue to set up its core manufacturing base and produce and manufacture its products at such self-developed base with an aim to safeguard its core technology, which will not only guarantee overall equipment quality but also protect intellectual property rights and enhance core competitiveness; thirdly, it will fully utilize its favorable position in the integration of all equipment so as to provide system solutions to achieve the highest capability-price ratio and greatest market competitiveness within the full-value chain and throughout the life cycle by optimizing and allocating its advantageous resources at home and abroad under the strategic alliance and to build up its integration ability of all equipment at its self-developed base; fourthly, it will realize mutual complement among domestic resources by creating synergy through its various platforms at home, which will provide powerful technical support for the determination and implementation of industry strategies and facilitate the further cohesion between industrialization and information technology, hence guiding MCC to tap into overseas markets under the “going-out” policy in terms of technology, equipment and construction capacity.

Regarding steel structure business, the Company will further reinforce control measures, continue to better allocate its steel structure business and assets and make all efforts in developing its capacity advantage of steel structure manufacturing. For business cooperation, the Company will insist on the adoption of the model of “dual drivers of manufacturing and R&D” for the establishment of the “core R&D platform” and “core design platform” of the steel structure business of the Company with a target to develop cutting-edged technology for high-end steel structure business and take the first move on every opportunity arising in the high-end markets. Regarding business layout, the Company has been making breakthroughs in regional integration by kicking off pilot integration programs for regional resources of steel structures in developed regions and has been reinforcing its strengths within the integrated industry chain covering R&D, design, manufacturing,

installation, testing and maintenance of the steel structures of the Company. Moving forward, the Company will be stepping on the path to integrated businesses, high-end products and internationalization of its brand through building up the brand of “MCC Steel Structure”, and will solidify the advantageous position for industrial steel structures while putting great efforts in expanding the scale of steel structures for civilian constructions and infrastructures. Besides, it will gradually strengthen its operational management, reduce costs and enhance efficiency in order to increase overall profitability.

4. *Resource Development Business*

(1) *Industry Overview*

In 2016, cyclical recovery was seen in the global metal industry, during which, the market price of various metals, such as zinc, nickel, copper and iron ore, rebounded following a significant drop; however, it is expected that, in general, the price will either rise or fluctuate substantially in 2017 due to insufficient support from relevant fundamental factors and the influence brought by the appreciation of US dollars and speculative investment. The additional release period of capacity concentration of mineral resources has basically ended, which resulted in a larger extent of adjustment in resource layout and greater demand for mines with longer life cycles that operate at low cost and produce high-grade minerals. The overall structural adjustment in smelting and processing has not yet been completed with great pressure on de-capacity. Sizable, high-end and customized business of smelting and processing formed the major battleground for industry competition. The trading of metal products was exposed to higher risks given the intensified fluctuation in the price of commodity in bulk.

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. 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. As forecasted by Barclays, the lowest price of iron ore in 2017 will fall below USD50 per ton, while the related domestic companies forecast that the overall price will fluctuate between USD50–60. Unlike iron ore, non-ferrous metal resources are comparatively scarce with smaller production scale, lower mining grade and a larger number of manufacturers. Thus, there is no monopoly in the industry. The supply and demand of non-ferrous metal are in basic equilibrium with certain periodicity. Due to the increase in prices of non-ferrous metal, investment increased and production expanded. The increasing supply caused oversupply and led to decrease in prices, and thus low graded and high cost mines were forced to cut production capacity and close down. Therefore, supply decreased and a cycle completed. As the major consumer of non-ferrous metal, China will still maintain an increasing trend

for the demand of non-ferrous metal in the future. The non-ferrous metal market will maintain a regular change and the prices will fluctuate over time. In general, the market prices of metals including nickel, copper, lead and zinc fluctuated and rose during 2016. In 2016, the average prices of nickel, copper, lead and zinc on LME were USD9,639.42 per ton, USD4,874.26 per ton, USD1,876.3 per ton and USD2,103.96 per ton, respectively.

(2) *The Operating Results of the Business*

The 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". By taking advantage of the resources of its current projects, the Company adopted the "One Mine One Policy" governance strategy and alleviated and gradually eliminated the investment risks incurred from inferior resources in order to increase the survivability of advantageous resource projects.

The overall operating results of the resource development business in 2016

Unit: RMB'000

	2016	% of the total	2015	Year-on- year growth
Segment revenue	3,789,153	1.70%	3,015,008	25.68%
Gross margin (%)	11.53	—	-9.30	Increased by 20.83 percentage points
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

① Ramu Nico Project

With respect to nickel mine project, the Company currently adopts all cost-reduction and consumption-minimization measures in order to make Ramu Nico Project reach production target and achieve low-cost operation. On this basis, the Company is currently studying the plan of 10% horizontal overproduction and plan of vertical expansion of the industrial chain while promoting highly processed goods and developing new products such as ternary battery, in order to increase the comprehensive utilization rate of quoted metals to generate greater profits and enhance the sustainable development capability of the Ramu Nico Project to turn loss into profit. The ratios of actual production capacity of the project exceeded 100% for two consecutive months in November and December 2016 and the annual production and operation in 2016 achieved a relatively satisfactory result.

In 2016, the project cumulatively produced 57,826 tonnes of nickel hydroxide, containing 22,234 tonnes of nickel and 2,187 tonnes of cobalt. During the year, the average ratio of actual production capacity to designed capacity was 68.2%. The cumulative sales of nickel hydroxide amounted to 20,568 tonnes for the year 2016 and the year-on-year ratio was basically flat, the revenue from sales for the year amounted to RMB1,195.4208 million. Total profit accumulated for the year amounted to RMB-1,038.9284 million, representing a decrease in loss of RMB572.0048 million or 35.51% as compared with 2015, and achieved the target for loss reduction.

② Pakistan Saindak Copper-Gold Mine Project

In 2016, despite various problems of such project, such as the reduction of minable ore and increased hardness of ore, the cumulative production of crude copper was 14,136 tonnes, and sale of crude copper was 12,312 tonnes, representing a steady increase. The cumulative sale for the year of 2016 amounted to RMB679.3635 million, representing a year-on-year increase of RMB82.8983 million or 13.9%. The cumulative total profit amounted to RMB72.4430 million, representing a year-on-year increase of RMB29.1026 million or 67.15%.

③ Argentina Sierra Grande Iron Ore Mine

In respect of iron ore, the Company will resolve and gradually digest the investment risks of iron ore business and properly allocate the relevant risks in due course. The cumulative production of iron concentrate powder for the project in 2016 was 156,500 tonnes, representing a year-on-year decrease of 49%. The sale of iron concentrate powder amounted to 190,000 tonnes, representing a year-on-year decrease of 43.6%. The operating revenue amounted to RMB61.1450 million. Total profit amounted to RMB-104.1914 million. Total cumulative profit amounted to RMB-23.6648 million excluding the loss on foreign exchange, representing a year-on-year decrease of 78.33% without consideration of the loss on foreign exchange.

④ Pakistan Duddar Lead-Zinc Mine Project

China Huaye Group Co., Ltd., a wholly-owned subsidiary of the Company, strived to push forward the resumption of production and construction of the mine for such project. Among which, upon the commencement of operation in early 2016, the upper system cumulatively produced 15,403 tonnes zinc concentrate ore, 1,994 tonnes lead concentrate ore, 13,070 tonnes zinc concentrate ore and 1,368 tonnes lead concentrate ore were cumulatively sold. Revenue from sales amounted to RMB28.2977 million while total profit amounted to RMB4.4936 million. The lower system is still under construction. The following step is to concentrate on the construction work of the lower system and strive to commence and fulfill operation as soon as practicable based

on the second stage of the implementation plan. The prospect of the project is promising due to the favorable market environment where zinc prices increase rapidly as a result of shortage in supply.

⑤ Afghanistan Aynak Copper Mine Project

This project is at the stage of negotiating amendments on the mining contract. Currently, it is pending feedback from the Afghanistan Mining and Oil Department on the detailed topics on the amendments to the mining contract submitted by the Company. The Company will strive to reach a reasonable standard on the project investment's rate of return through the negotiations in order to lay a solid foundation to obtain an actual progress.

(II) Analysis on Core Competitiveness During The Reporting Period

Metallurgical engineering is the most comprehensive engineering industry with extensive professionals in the engineering and construction field. Being a founder of metallurgical industry in new China, MCC has accumulated over 60 years of technological experience, forming the core competitiveness for sustainable development, and has mainly achieved in: in respect of technologies, continuously elevating core technological capabilities and system integration abilities; in respect of management, constantly improving innovation ability and resource integration capability; in respect of corporate culture, corporate spirit and vision with high popularity.

During the Reporting Period, there was no material change in the Company's core competitiveness.

III. FINANCIAL HIGHLIGHTS

The highlights of Company's financial position as at 31 December 2016 and the operating results for 2016 are as follows:

(I) Overview

- Operating revenue amounted to RMB219,558 million, representing a year-on-year increase of RMB2,234 million or 1.03% from RMB217,324 million in 2015.
- Operating profit amounted to RMB6,994 million, representing a year-on-year increase of RMB1,055 million or 17.77% from RMB5,939 million in 2015.
- Net profit amounted to RMB5,970 million, representing a year-on-year increase of RMB1,021 million or 20.63% from RMB4,949 million in 2015.
- Net profit attributable to shareholders of the Company amounted to RMB5,376 million, representing a year-on-year increase of RMB574 million or 11.96% from RMB4,802 million in 2015.

- Basic earnings per share amounted to RMB0.25, and the basic earnings per share of 2015 amounted to RMB0.24.
- As at 31 December 2016, total assets amounted to RMB377,492 million, representing an increase of RMB33,729 million or 9.81% from RMB343,763 million as at 31 December 2015.
- As at 31 December 2016, total equity amounted to RMB83,108 million, representing an increase of RMB11,953 million or 16.80% from RMB71,155 million as at 31 December 2015.
- Newly signed contracts were worth RMB502,404 million, representing an increase of RMB100,818 million or 25.10% from RMB401,586 million in 2015.

Note: the percentages of increase or decrease are calculated by data rounding up to RMB.

(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 RMB187,639 million, representing an increase of RMB1,335 million or 0.72% from RMB186,304 million in 2015.

2. *Property Development Business*

Segment revenue amounted to RMB22,506 million, representing an increase of RMB3,065 million or 15.77% from RMB19,441 million in 2015.

3. *Equipment Manufacture Business*

Segment revenue amounted to RMB5,112 million, representing a decrease of RMB4,159 million or -44.86% from RMB9,271 million in 2015.

4. *Resource Development Business*

Segment revenue amounted to RMB3,789 million, representing an increase of RMB774 million or 25.68% from RMB3,015 million in 2015.

5. *Other Businesses*

Segment revenue amounted to RMB4,140 million, representing an increase of RMB1,493 million or 56.39% from RMB2,647 million in 2015.

Note: The segment revenues above are the revenues before inter-segment elimination; the percentages of increase or decrease are calculated by data rounding up to RMB.

IV. POSSIBLE RISKS AND MEASURES ADOPTED BY THE COMPANY

(I) Risks associated with macro-economy

The principal businesses engaged by the Company including engineering contracting and property development are closely related to various factors, such as 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 is under deep adjustment. With the expanding impact on economy due to complicated and changing situation of international politics, changes in and adjustment to internal and external policies upon the new president of the United States and the reverse capital flow due to low interest rate, these factors intensify the uncertainty of economic recovery process. The domestic economy is at the key stage of growth rate alternation, structural adjustment and change in driving forces under the “new normal”, which places a downside pressure to the economy; 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.

(II) Risks associated with traditional metallurgical engineering segment

In recent years, the global iron and steel industry entered into the third stage of deep adjustment. Factors such as macro-control by the State on the overcapacity in metallurgical industry led to changes in the development model of the domestic iron and steel industry, which brought the large scale and highly intensive construction period to an end and diminished market scale. Meanwhile, with the implementation of the national “Thirteenth Five-Year Plan”, steady promotion of “One Belt, One Road” strategies and improvement on areas of intellectual production and green production, new opportunities and new challenges have also been brought to the transformation development of metallurgical enterprises.

During the period of the “Thirteenth Five-Year Plan”, metallurgical engineering will be mainly focused on full system upgrade including technological transformation, energy conservation and emission reduction and industry upgrade as well as outward relocation of urban iron and steel enterprises, and will maintain certain market demand. The Company persistently adheres to the guideline of “building up a national team for metallurgical construction” to propel the implementation of the top-level design plan and strategies by a national team of advisers, push forward the integration of internal resources and professional echelon division and create a competent and the strongest lineup of national team for metallurgical construction, in order to continuously increase the competitiveness and influence of the Company in the global iron and steel engineering technology sector by its top-notch core techniques, irreplaceable integration advantage in the entire industrial chain of metallurgical construction and constant ability of reform and innovation. In recent years, the Company has continuously enhanced its efforts on transformation from traditional metallurgical engineering field to fundamental construction area and emerging markets to expand its market share. The amount of newly signed contracts of metallurgical engineering fell below 20% of the total amount of newly signed contracts by the Company, which shows that the Company successfully completed business transformation and effectively defused the risk associated with metallurgical market.

(III) Risks associated with the non-metallurgical engineering segment

Facing the downward pressure on the economy, the State has successively introduced relevant policies to push forward the supply-side structural reform and continuously increase its investment in municipal infrastructure construction. Meanwhile, PPP projects have gradually become the major business model which the government has adopted for its large-scale infrastructure constructions. As “a main force of infrastructure and a leader in emerging industries”, the Company opens its mind and advances with time, and devotes its efforts to developing the non-metallurgical engineering markets such as premium property construction, highways, urban transportation infrastructure, integrated subterranean piping systems, sponge city, smart city and beautiful countryside.

Unlike traditional metallurgical field, the competition in the non-metallurgical market is very fierce. The Company has actively responded to the risks of competition in the non-metallurgical markets and further adapted to environmental changes. It has expanded the research and innovation of business models such as PPP model and constantly improved the design and operation of “Big Environment, Big Customers and Big Projects”. It endeavors to build up an entire industrial chain capability for one-stop services, enhance its brand influence, vigorously expand and develop markets and continuously strengthen risk resistance capability by relying on its traditional comparative advantages and core competitiveness in terms of technology, management and capital, and has achieved remarkable success.

(IV) Risks associated with the property development business segment

With the end of the fast growth period of the real estate industry and the beginning of 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.

(V) Risks associated with equipment manufacture segment

In recent years, the investment scale and range of original customer base of the Company have been reduced due to the slowdown of global economy, severe overcapacity in the Chinese iron and steel industry, and the significant cut-down in the investment of iron and steel industry, which bring certain challenges to the development of the equipment manufacture business of the Company. Despite all that, technological transformation and the entire production and processing which focus on traditional metallurgical product upgrades should satisfy the crucial need of the new concept of environmental protection and bring new market opportunities for the metallurgical equipment manufacture business of the Company to provide customers with products and services with high technology and higher added value through making full use of professional advantages of the Company and based on a

“professional, refined, special and new” development thinking. Meanwhile, the Company has further strengthened the efforts on macro-control of steel structure business in order to form a collaborative model of production and research, promote integration of regional resources and optimize resource deployment, and continuously expand the equipment manufacture business market of the Company.

(VI) 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 may 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 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; accelerate the localization process, consistently insist on assessment and risk examination of contracts on overseas construction projects before tendering and implementing a classified risk management mechanism during the process and optimize 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) Landscape and Trend of the Industry

In 2016, significant negative growth was recorded for investment amount of fixed assets in mining, ferrous metal metallurgy and the rolling processing industries, which symbolized a limited room for market development of the contracting of metallurgical engineering and the future focus on transformation and upgrade, transformation on energy conservation and environmental protection, operational services leveraging on existing capacity in the domestic industry and the focus on the demand from countries with increasing demand for steel and iron in overseas markets (such as India and Indonesia).

There was a slowdown in the growth rate of urbanization but there is enormous room for development. New urbanization will effectively promote the development of the construction industry and facilitate commercialization. The transport and municipal infrastructure market was facing a valuable opportunity for development amid the “Thirteenth Five-Year” Plan when there was investment of RMB400 billion per year driven by urban comprehensive underground pipelines, approximately RMB3 trillion of market demand from the construction of sponge cities, over RMB500 billion of total investment in smart cities, which stirred up investment of over a trillion in relevant markets. Under the “Thirteenth Five-Year” Plan, around 6,000 beautiful villages were completed nationwide under the “Beautiful Village Plan” and there will be an annual investment demand of USD1.8 trillion to USD4 trillion for infrastructure in relevant countries under the policy of “One Belt, One Road”.

The market of environmental engineering & alternative energy has ample room for development with promising prospect. Under the “Thirteenth Five-Year” Plan, the investment in environmental protection will be increasing by over 20%, in particular, there will be rapid development in energy technological innovation, energy management contracting and multi-pollutant treatment. Rapid development was seen in the establishment of special engineering and, by capturing the upward trend in the future, it is expected that 59 theme parks and 5 water parks will be put into operation by 2020 with a total investment of 150 billion.

There was a slowdown in the real estate market and it is expected to have a stable development under the “Thirteenth Five-Year” Plan, during which, the total demand for commodity properties will be approximately 5.3 billion sq.m. with development investment of approximately 37.7 trillion. There will be increased operational risks, intensified market competitiveness and greater pressure from transformation.

The metallurgical equipment market continued to downsize and a total of additional investment of approximately RMB100 billion is expected in domestic and overseas markets in the future. There will be continuous and rapid growth in the production value of steel structures in the domestic market with a small proportion from steel-structured residential buildings, which represented a certain potential for the development of the steel structure market, with CAGR of approximately 15%. The market will be concentrated in steel-structured residential buildings, marine engineering equipment, steel-structured bridges, etc.

There are opportunities for the development of minerals but it is unlikely to achieve the previous mining peak. The construction of mines is negatively impacted by various factors in the industry and will be still lingering at low level in the coming three to five years.

(II) Development strategy of the Company

MCC is expanding its global market by the strategic positioning of “being the national team for metallurgical construction, major force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies”.

National team for metallurgical construction: After putting efforts for three to five years, it leverages its benefits of integration throughout the industry chain with leading core technology, irreplaceable metallurgical construction and persistent reform and innovation capabilities, to shoulder the state responsibility for leading China to a higher level of development of metallurgy, to build a top international enterprise for metallurgical construction and to become the strongest, the best and the largest “national team” of metallurgical construction and operational services in the world.

Major force for fundamental construction: Seizing the “One Belt, One Road” policy, tapping the huge potential in infrastructure construction across the countries and regions along the “One Belt, One Road” regions, 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, and endeavoring for being the main force for the

national fundamental construction and the implementation of the “One Belt, One Road” strategy in fundamental construction business areas including transport infrastructure, park development, urban complex and landmark buildings.

The forerunner of the emerging industries: While facing the situation of diminishing space for development and intensifying competition in the industry in which it has advantages, the Company keeps up with the pace of new industrialized, informationalized, urbanized and agriculturally modernized national construction, and it has been searching for market opportunities and direction for improving the quality and efficiency of the economic development of emerging industries. The Company has eagerly promoted transformation and upgrade, explored new points of growth, targeted the new urbanization construction industry in China, and exerted its advantages of integrating production and research and capital operation mainly on urban piping system, smart city, sponge city and beautiful countryside as the focus of development to continue exploring the professional investment and construction model and the new model for market development. It will strive to become 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 piping system.

Long-term adherence to pursuing the path for the development of advanced technologies: Consolidating and building up technological innovation is the primary driver for development of the Company. It covers all-rounded enterprise management including innovative corporate culture, personnel incentive mechanism, investment in scientific and technological research and development and business development strategies.

(III) Operational plan

The Company expected to record revenue of RMB230 billion in 2016, and actually recorded revenue of RMB219.558 billion, completing 95.46% of the target. The incompleteness of the operation plan was mainly affected by the exclusion of business taxes and levies in revenue from contracts as a result of the “replacement of the business tax with the value-added tax” for construction industry since 1 May 2016, and a significant decrease in revenue from metallurgical business of the Company resulting from the adjustment of the iron and steel industry. The Company will continue to expand markets vigorously, strengthen contract valuation and audit, strictly control operational risks, and perform contracts as agreed. Meanwhile, the Company will accelerate the pace of project settlement, record revenue and receive capital timely, and strive to reach the operational goal for the year 2017.

The Company expects to record revenue of RMB230 billion in 2017.

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

Unit: RMB'000

Items	Amount for the current year	Amount for the prior year	Change in proportion (%)
Operating revenue	219,557,579	217,323,972	1.03
Operating costs	191,369,837	188,817,361	1.35
Selling expenses	1,665,258	1,512,225	10.12
Administrative expenses	10,425,174	10,067,076	3.56
Financial expenses	2,228,707	2,526,563	-11.79
Net cash flows from operating activities	18,558,549	15,357,382	20.84
Net cash flows from investing activities	-3,191,971	-5,602,596	No applicable
Net cash flows from financing activities	-5,597,927	-9,719,382	No applicable
Research and development expenses	6,077,232	5,179,468	17.33

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-economies 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

The international and domestic macro-economic environments and trends might have an impact on the 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 restructuring and upgrade of the steel and iron industry pushed forward by the PRC's 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 influencing the Company's financial position.

Both Items 1) and 2) above were the major risk factors that impacted the Company's performance in 2016.

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

① 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 for the Development of the Western Regions and the preferential tax policies for hi-tech enterprises currently enjoyed by some of the Company's subsidiaries, as well as the resources tax, the property development tax, and the "replacement of the business tax with the 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.

② 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 foreign countries and regions and pays various taxes. Since the tax policies and environments are different in various places and the regulations of the various taxes, including income tax for enterprises, tax for 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, etc.. Changes in the prices of the aforementioned raw materials due to factors such as supply, market conditions and costs of materials will impact the Company's costs on 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

The Company's Ramu Nico Laterite Mine Project in Papua New Guinea remained loss-making while the poly-silicon business recorded a turnaround from loss. The final result of the third party's auditor 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 a 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) Major Business by Segment 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	187,638,690	166,896,342	11.05	0.72	2.43	Decreased by 1.49 percentage points
Property development	22,506,446	16,376,237	27.24	15.77	5.42	Increased by 7.14 percentage points
Equipment manufacture	5,112,103	4,558,392	10.83	-44.86	-43.12	Decreased by 2.73 percentage points
Resource development	3,789,153	3,352,201	11.53	25.68	1.73	Increased by 20.83 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	207,127,940	179,446,062	13.36	2.96	3.53	Decreased by 0.49 percentage point
Other countries/regions	12,429,639	11,923,775	4.07	-23.00	-23.05	Increased by 0.06 percentage point
	=====	=====	=====	=====	=====	

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 which is mainly carried out by way of EPC contract and general financing and construction contracting contract, 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 years of 2016 and 2015 were 11.05% and 12.54%, respectively, with a year-on-year decrease of 1.49%. The decrease was mainly due to the “replacement of the business tax with the value-added tax” for the construction industry since 1 May 2016, which resulted in the exclusion of business taxes and levies in contract revenue and contract gross profit.

The proportion of the operating revenue accounting for the total amount of engineering contracting in each sub-segment of the Company for the recent three years are as follows:

Unit: RMB'000

Items of revenue	2016		2015		2014	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	47,719,519	25.43	67,869,750	36.43	69,676,090	39.05
Housing construction engineering	88,041,621	46.92	79,824,172	42.85	67,799,385	38.00
Transportation infrastructure	31,860,213	16.98	18,649,604	10.01	20,906,649	11.72
Other engineering	20,017,337	10.67	19,960,581	10.71	20,033,941	11.23
	=====	=====	=====	=====	=====	=====
Total engineering contracting	187,638,690	100.00	186,304,107	100.00	178,416,065	100.00

Note: The statistics of segment revenue are figures before inter-segment eliminations.

In 2016, there were 8,190 projects of the Company under construction which entered into EPC contracts with operating revenue of RMB139.50 billion, of which the major risks were project cost risk and collection risk; and 6,971 completed construction projects under inspection and acceptance with operating revenue of RMB52.34 billion, of which the major risks was collection risk. Projects that under general financing and construction contracting contract model mainly consists of PPP projects. In 2016, there were 66 projects under construction entered in PPP projects with recognized revenue of RMB9.4 billion; and four projects of the Company were under construction in 2015 with operating revenue of RMB280 million, of which the major risks were cost risk, collection risk and operation risk incurred in the entire life cycle of the projects. While ensuring the pushing forward of production and operation, the Company persistently shows high importance to the risk control and management of each project, controlling cost risk and collection risk through a series of measures to improve cost management and applying diversified collection methods that are applicable to the characteristic of each project to strengthen the collection capability. Under the process of transformation and upgrades, the revenue of engineering contracting business of the Company remained stable with a slight growth. The contribution of non-metallurgical engineering business to revenue has increased year by year while the proportion of metallurgical engineering business to revenue has decreased correspondingly.

2) Property development business

For the years of 2016 and 2015, the total gross profit margins of the Company's property development business were 27.24% and 20.10%, respectively, with a year-on-year increase of 7.14%, which was mainly due to a significant increase in gross profit margin resulting from the proactive development of commercial property, residential property and other projects of the Company in first-tier and second-tier markets.

3) Equipment manufacture business

The Company's equipment manufacture business mainly included metallurgical equipment, steel structures and other metal products. For the years of 2016 and 2015, the gross profit margin of the Company's equipment manufacture business were 10.83% and 13.56%, respectively, representing a decrease of 2.73% as compared with the same period last year, which was mainly due to a decrease in gross profit margin of metallurgical equipment of the Company as affected by the impact of the adjustment to the iron and steel industry.

4) Resource development business

The Company's resource development business include 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 China Silicon Co., Ltd. (洛陽中硅高科技有限公司), the polysilicon manufacturing enterprise, was mainly engaged in the processing business. For the years of 2016 and 2015, the gross profit margin of the Company's resource development business were 11.53% and -9.30% respectively, representing an increase of 20.83% as compared with the same period last year, which was mainly due to the price of polysilicon and nickel have gradually stabilized and started to rise.

Explanation on Major Business by Regions

For the years of 2016 and 2015, the Company realized overseas operating revenue of RMB12,429,639,000 and RMB16,142,313,000 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 and the Ramu Nico Laterite Mine Project in Papua New Guinea, and the resource development business in Saindak Copper-Gold Mine in Pakistan.

(3) Table of analysis on costs

Unit: RMB'000

Situation by segment

Segment	Amount for the current period	Proportion of the amount for the current period to the total costs (%)	Amount for the same period in the previous year	Proportion of the amount for the same period in the previous year to the total costs (%)	Percentage change in the amount for the current period as compared to that for the same period in the previous year (%)
Engineering contracting	166,896,342	85.64	162,942,147	84.82	2.43
Property development	16,376,237	8.40	15,534,346	8.09	5.42
Equipment manufacture	4,558,392	2.34	8,013,560	4.17	-43.12
Resource development	3,352,201	1.72	3,295,274	1.72	1.73

Note: The statistics of segment costs are before inter-segment eliminations.

Description of other results in the analysis on costs

The major components of cost used in construction project of the Company for the recent three years are as follows:

Unit: RMB'000

Item of cost	2016		2015		2014	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	90,463,947	54.20	84,496,775	51.86	84,659,224	54.02
Materials expenses	47,828,129	28.66	50,501,024	30.99	50,555,546	32.25
Labour costs	8,775,212	5.26	8,641,325	5.30	8,592,696	5.48
Machinery usage fees	2,579,720	1.55	2,762,754	1.70	2,983,449	1.90
Others	17,249,334	10.33	16,540,269	10.15	14,969,950	9.55
Total engineering costs	<u>166,896,342</u>	<u>100.00</u>	<u>162,942,147</u>	<u>100.00</u>	<u>156,709,625</u>	<u>100.00</u>

The major components of cost used in construction project of the Company are subcontracting expenses, materials expenses, labour costs, machinery usage fees and other costs. The proportion of each component of cost to operating costs is relatively stable.

(4) Situation of major customers and major suppliers

The sales of top five major customers amounted to RMB11,569,655,000, accounting for 5.27% of the total annual sales, and the top five major customers have no connected relationship with the Company.

Unit: RMB'000

Customer's name	Operating revenue	Proportion of the total operating revenue of the Company
Customer 1	3,712,452	1.70
Customer 2	2,631,051	1.20
Customer 3	1,802,860	0.82
Customer 4	1,722,720	0.78
Customer 5	1,700,572	0.77
Total	<u>11,569,655</u>	<u>5.27</u>

The procurement of the top five major suppliers amounted to RMB2,840,624,000, accounting for 1.48% of the total annual procurement. The top five major suppliers are mainly sub-contractors for engineering and labour services, and have no connected relationship with the Company.

Unit: RMB'000

Supplier's name	Procurement for the current period	Proportion of the total operating costs of the Company (%)
Supplier 1	788,802	0.41
Supplier 2	660,615	0.35
Supplier 3	482,599	0.25
Supplier 4	467,025	0.24
Supplier 5	441,583	0.23
Total	2,840,624	1.48

2. Expenses

(1) Selling expenses

The Company's selling expenses mainly include employee compensation costs, travelling expenses, transportation expenses, advertising and sale services expenses. In 2016 and 2015, the Company's selling expenses were RMB1,665,258,000 and RMB1,512,225,000 respectively, representing a year-on-year increase of 10.12%.

(2) Administrative expenses

The Company's administrative expenses mainly include employee compensation costs, research and development expenses, depreciation expenses and office expenses. In 2016 and 2015, the Company's administrative expenses were RMB10,425,174,000 and RMB10,067,076,000 respectively, representing a year-on-year increase of 3.56%.

(3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in operating business. In 2016 and 2015, the Company's financial expenses were RMB2,228,707,000 and RMB2,526,563,000 respectively, representing a year-on-year decrease of 11.79%.

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	6,077,232
Total research and development expenditure	6,077,232
Proportion of total research and development expenditure to operating income (%)	2.77

4. *Cash flows*

The cash flows of the Company are as follows:

Unit: RMB'000

Items	2016	2015
Net cash flows from operating activities	18,558,549	15,357,382
Net cash flows from investing activities	-3,191,971	-5,602,596
Net cash flows from financing activities	-5,597,927	-9,719,382

(1) Operating activities

In 2016 and 2015, the Company's net cash flows generated from operating activities amounted to RMB18,558,549,000 and RMB15,357,382,000 respectively, representing a year-on-year increase of 20.84%. In 2016 and 2015, the cash inflow generated from operating activities mainly came from the cash receipts from the sale of goods and the rendering of service, accounting for 98.35% and 98.77% respectively with respect to the cash inflow generated from operating activities.

The Company's cash outflow generated from operating activities mainly consisted of cash payments for goods purchased and services received, cash payments to and on behalf of employees and payments of various types of taxes. In 2016 and 2015, the respective proportions of such cash outflow with respect to the cash outflow generated from operating activities accounted for 80.93%, 8.70%, 5.12% and 82.27%, 8.39%, 5.47% respectively.

(2) Investing activities

In 2016 and 2015, the Company's net cash flows generated from investing activities amounted to RMB-3,191,971,000 and RMB-5,602,596,000 respectively. The operating activities of the Company mainly came from engineering contracting, property development and other businesses.

The Company's cash inflow generated from investing activities mainly consisted of cash receipts from recovered investments, investment income and disposal of assets. In 2016 and 2015, the respective proportions of such cash inflow with respect to the cash inflow generated from operating activities accounted for 59.49%, 17.55%, 9.42% and 20.27%, 23.40%, 35.99% respectively. Cash outflow mainly included cash payments to acquire or construct fixed assets, intangible assets and other long-term assets and cash payments to acquire investments. In 2016 and 2015, such cash outflow accounted for 50.30%, 43.42% and 50.53%, 28.57%, respectively with respect to the cash outflow generated from investment activities.

(3) *Financing activities*

In 2016 and 2015, the Company's net cash flows generated from financing activities amounted to RMB-5,597,927,000 and RMB-9,719,382,000 respectively. A large amount of net cash outflow generated from financing activities was mainly due to the higher amount of cash paid for debt repayment than that of cash received from borrowings for the current period.

The Company's cash inflow generated from financing activities mainly consisted of cash receipts from borrowings and accounted for 92.24% and 90.87% respectively with respect to the cash inflow generated from financing activities for the years of 2016 and 2015. The Company's cash outflow generated from financing activities mainly consisted of cash repayment of borrowing and cash payments for distribution of dividends, profits or interest repayments, accounting for 91.82% and 6.77%, and 93.14% and 6.63% respectively of the cash outflow generated from financing activities for the years 2016 and 2015.

(II) Analysis on assets and liabilities

Assets and liabilities

Unit: RMB'000

Items	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:	302,774,536	80.21	275,558,793	80.16	9.88
Cash and bank balances	44,863,390	11.88	33,730,706	9.81	33.00
Accounts receivable	69,544,642	18.42	63,663,109	18.52	9.24
Inventories	122,191,095	32.37	115,305,237	33.54	5.97
Non-current Assets:	74,717,068	19.79	68,204,026	19.84	9.55
Intangible assets	14,416,860	3.82	14,527,346	4.23	-0.76
Total Assets	377,491,604	100.00	343,762,819	100.00	9.81
Current Liabilities:	256,023,377	86.97	235,474,624	86.38	8.73
Short-term borrowings	49,740,440	16.90	36,798,152	13.50	35.17
Accounts payable	111,999,308	38.05	93,413,988	34.27	19.90
Receipts in advance	33,161,350	11.26	30,139,959	11.06	10.02
Non-current Liabilities:	38,360,524	13.03	37,133,171	13.62	3.31
Long-term borrowings	25,038,820	8.51	19,259,931	7.07	30.00
Total Liabilities	294,383,901	100.00	272,607,795	100.00	7.99

1. Analysis on structures of assets and liabilities

(1) Analysis on the structure of assets

Cash and bank balances

As at 31 December 2016 and 31 December 2015, the balances of cash and bank balances of the Company were RMB44,863,390,000 and RMB33,730,706,000 respectively, representing a year-on-year increase of 33.00%, which was mainly attributable to an increase in bank deposits, among which, the non-public issuance of shares of the Company increased cash and bank balances of RMB6,174,491,000.

As at 31 December 2016 and 31 December 2015, the restricted cash and bank balances of the Company were RMB6,151,479,000 and RMB4,994,328,000 respectively, which accounted for 13.71% and 14.81% of the cash and bank balances, respectively. The restricted cash and bank balances mainly included the cash deposits of acceptance bills, statutory reserves, guarantee deposits and frozen deposits, etc.

Accounts receivable

As at 31 December 2016 and 31 December 2015, the Company's net accounts receivable were RMB69,544,642,000 and RMB63,663,109,000 respectively. Net accounts receivable increased by 9.24%, which was mainly due to the growth of the operating scale and the extension of payment term of property owners.

The main reasons for the extension of the payment term of property owners under accounts receivable of the Company were as follows: firstly, to maintain the leading position in the metallurgical engineering market, the Company, based on the changes of the market environment, actively carried out business transformation and worked hard to develop non-metallurgical engineering projects as well as projects in connection with people's livelihood, urban comprehensive development and municipal infrastructure. Generally, the clients of such projects are local governmental departments and large and medium scale enterprises, and therefore, the settlement cycle of such projects are relatively long. Secondly, as significantly affected by adjustment of iron and steel industry and economic downward pressure, the overcapacity of iron and steel enterprises and relative shortage of funds prolonged the recovery cycle of relevant receivables.

The prolonged payment cycle of property owners directly resulted in a significant year-on-year increase in the accounts receivable at the end of the Reporting Period of the Company. The Company always has great emphasis on the safety and completeness of accounts receivable and timely collect each of the receivables

based on terms and schedules as agreed in the contracts. Provision for bad debts has been made to receivables with potential risks in collectability pursuant to the accounting policies of the Company, but the efforts put to collect the receivables will not be affected.

Inventories

The inventories of the Company mainly consisted of incomplete and unsettled engineering and construction works, properties under development, completed properties held for sale, raw materials, work in process and finished goods, etc.. The inventory structure of the Company reflected the characteristics of the engineering and contracting, property development, equipment manufacture and resource development businesses in which the Company is engaged. As at 31 December 2016 and 31 December 2015, the Company's net inventories were RMB122,191,095,000 and RMB115,305,237,000 respectively. The net inventories increased by 5.97%, which was mainly due to the increase in inventories in respect of engineering construction.

Intangible assets

As at 31 December 2016 and 31 December 2015, the aggregated carrying value of the Company's intangible assets were RMB14,416,860,000 and RMB14,527,346,000 respectively, representing a year-on-year decrease of 0.76%. The Company's intangible assets mainly included land use rights, franchise right, patent and proprietary technology, etc.

(2) *Analysis on the structure of liabilities*

Long-term and short-term borrowings

Long-term and short-term borrowings of the Company mainly consisted of credit loans and guaranteed loans from commercial banks and other financial institutions. As at 31 December 2016 and 31 December 2015, the balance of the Company's short-term borrowings were RMB49,740,440,000 and RMB36,798,152,000 respectively, with a year-on-year increase of 35.17%. As at 31 December 2016 and 31 December 2015, the balance of the Company's long-term borrowings were RMB25,038,820,000 and RMB19,259,931,000 respectively, with a year-on-year increase of 30.00%.

Accounts payable

Accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors by the Company. As at 31 December 2016 and 31 December 2015, the Company's accounts payable were RMB111,999,308,000 and RMB93,413,988,000 respectively, accounting for 38.05% and 34.27% 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.

Receipts in advance

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

As at 31 December 2016 and 31 December 2015, the balance of the Company's receipts in advance were RMB33,161,350,000 and RMB30,139,959,000 respectively, accounting for 11.26% and 11.06% respectively with respect to the total liabilities. As at 31 December 2016, the advance receipts increased by 10.02% as compared to that as at 31 December 2015, mainly because of the increase in the advance receipts of project fees.

(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	2,559	527	3,090	795	6,971
Total amount	<u>20,904,544</u>	<u>7,214,862</u>	<u>15,993,833</u>	<u>8,229,795</u>	<u>52,343,034</u>

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects	6,838	133	6,971
Total amount	<u>50,455,281</u>	<u>1,887,753</u>	<u>52,343,034</u>

2. *Projects under construction during the Reporting Period*

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure construction	Metallurgical engineering	Others	Total
Number of projects	2,704	595	3,705	1,186	8,190
Total amount	<u>68,684,992</u>	<u>26,275,220</u>	<u>32,050,136</u>	<u>12,491,336</u>	<u>139,501,684</u>

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects	7,861	329	8,190
Total amount	<u>131,209,654</u>	<u>8,292,030</u>	<u>139,501,684</u>

3. Overseas projects during the Reporting Period

Unit: RMB'000

Project location	Number of projects	Total amount
Asia	359	10,139,002
Africa	96	342,873
South America	35	341,873
Europe	26	168,198
Oceania	21	529,694
North America	13	201,315
Total	550	11,722,955

Note: the above data are before elimination of inter-segment transactions.

4. Summary of completed and unsettled constructions among the inventory

Unit: RMB'000

Project	Accumulated costs incurred	Accumulated recognized gross profit	Estimated loss	Accumulated settlements	Accumulated settlements
Amount	701,466,570	54,969,763	1,597,993	693,415,838	61,422,502

5. Competency for construction projects of the Company

(1) Changes in management policies and its impact on the Company

The MOHURD issued the “Notice of Relevant Issues Regarding Qualification Management and Assets Assessment of Construction Enterprises” (Jian Shi [2016] No. 122) (《關於建設工程企業資質管理資產考核有關問題的通知》(建市[2016]122號)) in June 2016, and amended all the terms regarding qualification such as “business and commercial registered fund (工商註冊資金)”, “registered fund (註冊資金)”, “registered capital (註冊資本)”, “paid-in registered capital (實繳註冊資本)” and “registered capital fund (註冊資本金)” to “net asset” as mentioned in the documents. The MOHURD issued the “Notice of Implementing Internet Reporting and Approval on Qualification of Construction Enterprises and Consulting Agencies for Construction Tendering” (Jian Ban Shi [2016] No. 41) (《關於建築業企業資質和工程招標代理機構資格實行網上申報和審批的通知》(建辦市[2016]41號)) in August 2016, stating that from 1 January 2017, all new applications, upgrades and re-assessments of qualification of construction enterprises (including general construction contracting – special grade) to be approved by the MOHURD will adopt online reporting and approval and paper applications will no longer be accepted, unless those qualifications of construction enterprises involve highway, railway, transportation, water conservancy, information industry, civil aviation and other fields.

The MOHURD issued the “Notice of Simplifying Certain Criteria of Qualification Standards of Construction Enterprises” (Jian Shi [2016] No. 226) (《關於簡化建築業企業資質標準部分指標的通知》(建市[2016]226號)) in October 2016, and further pushed forward the reform of policies streamlining, authority delegation, supervision enhancement and service optimization. Apart from the lowest level of qualification for each field, criteria assessments for registered construction engineer, mid-level officer or above, on-site management officer with certificate of practitioners and technician are cancelled; the assessment criterion of construction area for qualification of general construction contracting of construction projects grading first class or below has been adjusted; and results of enterprises with special grade or first class qualification applying for general construction contracting of construction engineering and municipal public construction will not be recognized as valid results if the aforesaid did not enter the supervision and integrity information release platform of the national construction market.

As required by the MOHURD, the Company will report its relevant qualifications online and submit its operating results to the National Construction Market Supervision and Integrity of Information Publishing Platform (全國建築市場監管與誠信信息發佈平台).

(2) *Qualifications obtained by the Company*

As at the end of the Reporting Period, the Company and its subsidiaries altogether held over 1,300 qualifications and permits, covering construction consultation, construction investigation, construction design, construction work, construction supervision, construction tender agent, property development and overseas construction contracting etc. Two subsidiaries of the Company held special qualifications for construction project, metallurgical project and municipal public project, eight subsidiaries of the Company held special qualifications for construction project and metallurgy project and four subsidiaries of the Company held comprehensive qualifications for construction design. The number of subsidiaries with special qualifications for general contracting reached 25, among which the number of subsidiaries with special qualifications for construction project reached 11 and the number of subsidiaries with newly added special qualification for municipal public project amounted to two, which provided a strong technology support for the Company to expand the non-smelting construction market, especially in the premium property construction business and the municipal construction business.

In 2016, six subsidiaries of the Company obtained six qualifications covering design and construction, and the certificates are valid for 5 years.

6. *The operation of the quality control system and production safety system of the Company*

In 2016, the operation of the quality control system of the Company was normal and the overall construction quality was under control without occurrence of any significant quality accident. The Company comprises of three core levels, namely the headquarters, the subsidiaries and the project management department. Each of the levels stringently executes the local, industrial and national standards of quality. The Company implemented effective quality control on construction projects by various measures such as regional quality check, special inspection, regional joint inspection and quality assessment which focused on promoting standardization of quality management and building quality constructions, and commenced publicity and educational activities such as “quality month” activities as safeguard measures. Enterprises under MCC were awarded six Luban Awards for Construction Project in China (中國建設工程魯班獎) (including participation in constructions) and 19 Prizes for National High-quality Construction (國家優質工程獎) (including participation in constructions), among which, they participated in two constructions awarded gold prizes and one overseas construction. They had 44 High-quality Constructions in the Metallurgical Industry (冶金行業優質工程), and were awarded 30 Awards for Outstanding Construction Survey in the Metallurgical Construction Industry (冶金建設行業優秀工程勘察獎) and 99 Awards for Outstanding Construction Design in the Metallurgical Construction Industry (冶金建設行業優秀工程設計獎).

In 2016, the production safety of MCC was generally stable with no occurrence of any major production accident. The Company persistently adheres to the production safety principle of “Safety First, Prevention Crucial, and Comprehensive Management”, which strengthens the consciousness of danger and bottom line thinking and earnestly implements important instructions given by the national leader and meeting documents in relation to production safety committee by all superior departments, committees. In accordance with the general requirements of “joint responsibility between party and government, one position bearing two kinds of responsibility, joint control and management among various departments, and claim against dereliction of duty”, the Company optimized and improved the safety responsibility system; stringently performed core responsibilities of training and education on enterprise safety; vigorously promoted the standardized establishment of safety and civilization of on-site construction with eight construction projects which won the honorary title of national “AAA-Class Standardized Site of Safety and Civilization”; continuously strengthened the safety inspection and control of on-site project production safety; and comprehensively enhanced the standards of production safety management of the Company.

7. *Financing arrangements of the Company*

(1) *Debt financing and financing by other equity instruments of the Company*

At the end of the Reporting Period, the balance of debt financing and financing by other equity instruments of the Company was RMB105,371 million, representing a year-on-year decrease of 4.68%. In particular, the balance of debt financing amounted to RMB95,486 million (of which RMB543 million was the balance of lease financing), whilst that of financing by other equity instruments was RMB9,885 million.

Subsidiaries of the Group took responsibility for 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 at the Group level in order to obtain adequate cash reserve and quoted securities. Meanwhile, the treasury department will constantly monitor whether there is any non-compliance of borrowings and obtain sufficient loan facilities from major financial institutions to meet both short-term and long-term financial needs, and to lower the liquidity risk.

1) Debt financing

At the end of the Reporting Period, the balance of debt financing amounted to RMB95,486 million, whereas the interest-bearing liabilities due within one year amounted to RMB63,461 million and the long-term interest-bearing liabilities amounted to RMB32,025 million. In particular: long-term borrowings amounted to RMB25,039 million, long-term bonds payable amounted to RMB6,654 million, whilst bonds payable due within one year amounted to RMB8,345 million.

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 continuously 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 the latest market conditions; the adjustments of reducing interest rate risk may include but not limited to making interest rate swap arrangements. For 2016 and 2015, the Company has not involved in any interest rate swap arrangements.

The Company's main businesses are located in the PRC and most of the transactions are settled in RMB. However, foreign currency assets and liabilities recognized by the Company and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US Dollars) still present foreign exchange risk. The capital department in headquarters of the Company is responsible for monitoring the size of foreign currency transactions and foreign currency assets and liabilities of the Group to minimize the foreign exchange risks faced by the Group. According to the judgment of the management, in the near term, the reasonable changes in RMB against foreign currencies have no significant impact on the Company's operating results. Therefore the Company did not sign any significant forward foreign exchange contracts or currency swap contracts in 2016.

2) Other equity instruments

The balance of other equity instruments amounted to RMB9,885 million at the end of the Reporting Period.

(2) *Equity financing during the Reporting Period*

Pursuant to the special mandate granted by the Shareholders at the 2016 First Extraordinary General Meeting, the 2016 First A Shareholders' Class Meeting and the 2016 First H Shareholders' Class Meeting, having received the "Approval in relation to the non-public issuance of Shares by Metallurgical Corporation of China Ltd." (Zheng Jian Xu Ke [2016] No. 1794) from the CSRC, the Company carried out the non-public issuance of 1,613,619,170 RMB-denominated ordinary shares (A Shares) with a nominal value of RMB1 each to specific investors on 26 December 2016. On 30 December 2016, the Company received the additional registered capital paid by specific investors in relation to the non-public issuance of A Shares, and the net proceeds amounted to RMB6,173,491,784.27. Deloitte Touche Tohmatsu CPA LLP verified the proceeds from the non-public issuance and issued the capital verification report of De Shi Bao (Yan) Zi (16) No. 1081. All formalities in relation to the stock registration had been fulfilled by 6 January 2017 (please see the relevant announcement of the Company dated 10 January 2017 for details).

(IV) Disposal of material assets and equity

The Company did not dispose any material assets and equity during the Reporting Period.

VII. CONSOLIDATED AND THE COMPANY'S BALANCE SHEETS

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2016

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	44,863,390	33,730,706
Financial assets at fair value through profit or loss	1,044	1,410,011
Bills receivable	16,026,955	11,360,670
Accounts receivable	69,544,642	63,663,109
Prepayments	13,421,058	13,698,473
Interests receivable	26,666	11,644
Dividends receivable	46,727	38,045
Other receivables	31,409,955	29,056,798
Inventories	122,191,095	115,305,237
Non-current assets due within one year	3,745,636	7,054,781
Other current assets	1,497,368	229,319
Total Current Assets	302,774,536	275,558,793
Non-current Assets:		
Available-for-sale financial assets	2,665,570	1,680,152
Held-to-maturity investments	—	20
Long-term receivables	11,277,158	7,882,521
Long-term equity investments	5,163,485	3,915,025
Investment properties	2,486,596	2,170,276
Fixed assets	30,037,756	30,154,218
Construction in progress	3,653,172	3,578,915
Materials for construction of fixed assets	69,074	73,695
Intangible assets	14,416,860	14,527,346
Goodwill	173,058	173,733
Long-term prepayments	249,357	204,705
Deferred tax assets	4,358,008	3,733,420
Other non-current assets	166,974	110,000
Total Non-current Assets	74,717,068	68,204,026
TOTAL ASSETS	377,491,604	343,762,819

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2016

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Liabilities:		
Short-term borrowings	49,740,440	36,798,152
Derivative financial liabilities	17,443	14,339
Bills payable	17,638,291	15,641,626
Accounts payable	111,999,308	93,413,988
Receipts in advance	33,161,350	30,139,959
Employee benefits payable	1,915,566	2,061,162
Taxes payable	3,110,767	6,057,841
Interests payable	493,527	752,120
Dividends payable	827,426	791,058
Other payables	18,681,125	16,294,450
Non-current liabilities due within one year	14,440,253	13,396,832
Other current liabilities	3,997,881	20,113,097
Total Current Liabilities	256,023,377	235,474,624
Non-current Liabilities:		
Long-term borrowings	25,038,820	19,259,931
Bonds payable	6,654,000	10,972,486
Long-term payables	850,280	892,237
Long-term employee benefits payable	3,646,673	3,982,614
Special payables	7,175	14,981
Provisions	568,876	232,644
Deferred income	1,382,299	1,452,973
Deferred tax liabilities	212,401	325,305
Total Non-current Liabilities	38,360,524	37,133,171
TOTAL LIABILITIES	294,383,901	272,607,795
Shareholders' Equity:		
Share capital	20,723,619	19,110,000
Other equity instruments	9,884,950	9,884,950
Including: Perpetual bond	9,884,950	9,884,950
Capital reserve	22,438,344	17,876,690
Other comprehensive income	189,057	192,320
Special reserve	12,550	12,550
Surplus reserve	1,100,651	698,872
Retained profits	16,203,904	12,782,248
Total shareholders' equity attributable to shareholders of the Company	70,553,075	60,557,630
Non-controlling interests	12,554,628	10,597,394
TOTAL SHAREHOLDERS' EQUITY	83,107,703	71,155,024
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	377,491,604	343,762,819

THE COMPANY'S BALANCE SHEET
31 DECEMBER 2016

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	7,703,977	2,727,674
Accounts receivable	823,423	492,885
Prepayments	161,552	78,773
Interests receivable	2,000,053	1,554,415
Dividends receivable	2,100,649	2,166,640
Other receivables	26,183,580	28,629,967
Inventories	299,065	694,789
Non-current assets due within one year	1,577,037	2,806,017
Total Current Assets	40,849,336	39,151,160
Non-current Assets:		
Available-for-sale financial assets	231	231
Long-term receivables	2,469,574	2,592,461
Long-term equity investments	79,317,111	75,189,175
Fixed assets	12,592	15,501
Construction in progress	8,518	—
Intangible assets	9,597	10,961
Total Non-current Assets	81,817,623	77,808,329
TOTAL ASSETS	122,666,959	116,959,489

THE COMPANY'S BALANCE SHEET
31 DECEMBER 2016

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Liabilities:		
Short-term borrowings	27,514,934	11,120,689
Accounts payable	818,728	864,274
Receipts in advance	541,402	492,914
Employee benefits payable	8,974	8,108
Taxes payable	46,848	61,734
Interests payable	238,965	617,614
Dividends payable	168,633	170,010
Other payables	11,430,335	8,062,853
Non-current liabilities due within one year	853,755	5,178,915
Other current liabilities	–	20,000,000
Total Current Liabilities	41,622,574	46,577,111
Non-current Liabilities:		
Long-term borrowings	5,016,690	2,771,441
Bonds payable	2,704,000	2,704,000
Long-term payables	78,980	300,000
Long-term employee benefits payable	18,061	22,861
Deferred income	4,411	4,265
Total Non-current Liabilities	7,822,142	5,802,567
TOTAL LIABILITIES	49,444,716	52,379,678
Shareholders' Equity:		
Share capital	20,723,619	19,110,000
Other equity instruments	9,884,950	9,884,950
Including: Perpetual bond	9,884,950	9,884,950
Capital reserve	38,041,092	33,481,220
Other comprehensive income	1,465	(2,105)
Special reserve	12,550	12,550
Surplus reserve	1,100,651	698,872
Retained profits	3,457,916	1,394,324
TOTAL SHAREHOLDERS' EQUITY	73,222,243	64,579,811
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	122,666,959	116,959,489

VIII. CONSOLIDATED AND THE COMPANY'S INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I Total operating revenue	219,557,579	217,323,972
Including: Operating revenue	219,557,579	217,323,972
II Total operating costs	213,000,156	213,089,921
Including: Operating costs	191,369,837	188,817,361
Taxes and levies	3,288,123	5,597,162
Selling expenses	1,665,258	1,512,225
Administrative expenses	10,425,174	10,067,076
Financial expenses	2,228,707	2,526,563
Impairment losses of assets	4,023,057	4,569,534
Add: Losses from changes in fair values	(3,215)	(30,445)
Investment income	440,053	1,735,160
Including: Gains(losses) from investments in associates and joint ventures	327,590	(153,731)
III Operating profit	6,994,261	5,938,766
Add: Non-operating income	1,306,710	1,375,811
Including: Gains from disposal of non-current assets	134,321	226,649
Less: Non-operating expenses	653,200	171,441
Including: Losses from disposal of non-current assets	49,353	46,861
IV Total profit	7,647,771	7,143,136
Less: Income tax expenses	1,678,124	2,194,392
V Net profit	5,969,647	4,948,744
Net profit attributable to shareholders of the Company	5,375,858	4,801,562
Profit or loss attributable to non-controlling interests	593,789	147,182
VI Other comprehensive income, net of income tax	37,249	(366,993)
Other comprehensive income attributable to shareholders of the Company, net of income tax	(3,263)	(391,101)
(I) Items that will not be reclassified subsequently to profit or loss	(4,749)	(398,024)
1. Re-measurement of defined benefit obligations	(4,749)	(398,024)
(II) Items that may be reclassified subsequently to profit or loss	1,486	6,923
1. Net (loss) gain on revaluation of available-for-sale financial assets	(33,089)	22,935
2. Exchange differences on translating foreign operations	34,575	(16,012)
Other comprehensive income attributable to non- controlling interests, net of income tax	40,512	24,108
VII Total comprehensive income	6,006,896	4,581,751
Total comprehensive income attributable to shareholders of the Company	5,372,595	4,410,461
Total comprehensive income attributable to non-controlling interests	634,301	171,290
VIII Earnings per share		
(I) Basic earnings per share (Yuan/share)	0.25	0.24
	Not	Not
(II) Diluted earnings per share (Yuan/share)	Applicable	Applicable

THE COMPANY'S INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I Operating revenue	1,719,540	2,071,639
Less: Operating costs	1,450,301	1,875,103
Taxes and levies	95,550	3,788
Administrative expenses	195,077	194,611
Financial expenses	400,564	255,444
Impairment losses of assets	139,247	318,703
Add: Investment income	4,579,045	2,227,422
Including: Income from investments in associates and joint ventures	2,112	471
II Operating profit	4,017,846	1,651,412
Add: Non-operating income	390	42,023
Including: Gains from disposal of non-current assets	–	41,976
Less: Non-operating expenses	38	59
Including: Losses from disposal of non-current assets	–	59
III Total profit	4,018,198	1,693,376
Less: Income tax expenses	404	144
IV Net profit	4,017,794	1,693,232
V Other comprehensive income, net of income tax	3,570	(5,376)
(I) Items that will not be reclassified subsequently to profit or loss	3,570	(5,376)
1. Re-measurement of defined benefit obligations	3,570	(5,376)
VI Total comprehensive income	4,021,364	1,687,856

IX. CONSOLIDATED AND THE COMPANY'S CASH FLOWS STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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	217,107,580	223,204,911
Receipts of tax refunds	455,317	687,613
Other cash receipts relating to operating activities	3,187,865	2,096,407
Sub-total of cash inflows from operating activities	220,750,762	225,988,931
Cash payments for goods purchased and services received	163,630,769	173,279,959
Cash payments to and on behalf of employees	17,598,948	17,662,165
Payments of various types of taxes	10,353,956	11,531,185
Other cash payments relating to operating activities	10,608,540	8,158,240
Sub-total of cash outflows from operating activities	202,192,213	210,631,549
Net Cash Flows from Operating Activities	18,558,549	15,357,382
II Cash Flows from Investing Activities:		
Cash receipts from disposals and recovery of investments	1,785,510	210,982
Cash receipts from investment income	526,629	243,575
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	282,763	374,609
Net cash receipts from disposal of subsidiaries and other business units	33,147	3,500
Other cash receipts relating to investing activities	373,343	208,179
Sub-total of cash inflows from investing activities	3,001,392	1,040,845
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	3,114,962	3,356,884
Cash payments to acquire investments	2,689,128	1,897,983
Cash payments to acquire subsidiaries and other business units	–	3,136
Other cash payments relating to investing activities	389,273	1,385,438
Sub-total of cash outflows from investing activities	6,193,363	6,643,441
Net Cash Flows from Investing Activities	(3,191,971)	(5,602,596)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

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	8,155,882	10,125,778
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries	1,982,391	240,828
Cash receipts from issue of perpetual bond	–	9,884,950
Cash receipts from borrowings	96,878,532	100,757,817
Sub-total of cash inflows from financing activities	105,034,414	110,883,595
Cash repayments of borrowings	101,586,763	112,334,593
Cash payments for distribution of dividends or profits or settlement of interest expenses	7,489,310	7,995,575
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries	469,757	94,250
Other cash payments relating to financing activities	1,556,268	272,809
Sub-total of cash outflows from financing activities	110,632,341	120,602,977
Net Cash Flows from Financing Activities	(5,597,927)	(9,719,382)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	206,882	129,797
V Net Increase in Cash and Cash Equivalents	9,975,533	165,201
Add: Opening balance of Cash and Cash equivalents	28,736,378	28,571,177
VI Closing Balance of Cash and Cash Equivalents	38,711,911	28,736,378

THE COMPANY'S CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

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	1,876,203	2,126,135
Receipts of tax refunds	8,722	44,071
Other cash receipts relating to operating activities	328,070	180,441
Sub-total of cash inflows from operating activities	2,212,995	2,350,647
Cash payments for goods purchased and services received	1,552,837	1,957,142
Cash payments to and on behalf of employees	130,136	113,763
Payments of various types of taxes	193,230	60,736
Other cash payments relating to operating activities	112,221	87,344
Sub-total of cash outflows from operating activities	1,988,424	2,218,985
Net Cash Flows from Operating Activities	224,571	131,662
II Cash Flows from Investing Activities:		
Cash receipts from recovery of investments	204,480	–
Cash receipts from investment income	2,695,724	1,964,991
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	–	23
Other cash receipts relating to investing activities	3,846,870	3,460,910
Sub-total of cash inflows from investing activities	6,747,074	5,425,924
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	9,787	956
Cash payments to acquire investments	1,794,302	1,372,000
Sub-total of cash outflows from investing activities	1,804,089	1,372,956
Net Cash Flows from Investing Activities	4,942,985	4,052,968

THE COMPANY'S CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

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	6,173,491	9,884,950
Including: Cash receipts from issue of perpetual bond	–	9,884,950
Cash receipts from borrowings	59,251,989	60,343,330
Sub-total of cash inflows from financing activities	65,425,480	70,228,280
Cash repayments of borrowings	61,992,343	74,962,999
Cash payments for distribution of dividends or profits or settlement of interest expenses	3,650,507	3,724,813
Other cash payments relating to financing activities	11,348	37,151
Sub-total of cash outflows from financing activities	65,654,198	78,724,963
Net Cash Flows from Financing Activities	(228,718)	(8,496,683)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	26,117	13,250
V Net Increase(decrease) in Cash and Cash Equivalents	4,964,955	(4,298,803)
Add: Opening balance of Cash and Cash equivalents	2,727,147	7,025,950
VI Closing Balance of Cash and Cash Equivalents	7,692,102	2,727,147

X. CONSOLIDATED AND THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

		For the year ended 31 December 2016								
		Attributable to shareholders of the Company								
			Other equity instruments		Other				Non-	Total
Items		Share capital	(Perpetual bond)	Capital reserve	comprehensive income	Special reserve	Surplus reserve	Retained profits	controlling interests	shareholders' equity
I	Closing balance of the preceding year	19,110,000	9,884,950	17,876,690	192,320	12,550	698,872	12,782,248	10,597,394	71,155,024
	Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
	Corrections of prior years errors	-	-	-	-	-	-	-	-	-
	Others	-	-	-	-	-	-	-	-	-
II	Opening balance of the current year	19,110,000	9,884,950	17,876,690	192,320	12,550	698,872	12,782,248	10,597,394	71,155,024
III	Changes for the year	1,613,619	-	4,561,654	(3,263)	-	401,779	3,421,656	1,957,234	11,952,679
(I)	Total comprehensive income	-	-	-	(3,263)	-	-	5,375,858	634,301	6,006,896
(II)	Shareholders' contributions and reduction in capital	1,613,619	-	4,561,654	-	-	-	-	1,792,690	7,967,963
	1. Capital contribution from owners	1,613,619	-	4,559,872	-	-	-	-	1,982,391	8,155,882
	2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-
	3. Others	-	-	1,782	-	-	-	-	(189,701)	(187,919)
(III)	Profit distribution	-	-	-	-	-	401,779	(1,954,202)	(469,757)	(2,022,180)
	1. Transfer to surplus reserve	-	-	-	-	-	401,779	(401,779)	-	-
	2. Distributions to shareholders	-	-	-	-	-	-	(1,552,423)	(469,757)	(2,022,180)
	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	-	-	-	-	2,267,885	-	-	175,792	2,443,677
	2. Amount utilized in the current year	-	-	-	-	(2,267,885)	-	-	(175,792)	(2,443,677)
(VI)	Others	-	-	-	-	-	-	-	-	-
IV	Closing balance of the current year	20,723,619	9,884,950	22,438,344	189,057	12,550	1,100,651	16,203,904	12,554,628	83,107,703

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

		For the year ended 31 December 2015							
		Attributable to shareholders of the Company							
Items	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	Total shareholders' equity
I Closing balance of the preceding year	19,110,000	–	17,826,218	583,421	12,550	529,549	9,275,519	10,687,251	58,024,508
Add: Changes in accounting policies	–	–	–	–	–	–	–	–	–
Corrections of prior years errors	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
II Opening 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
III Changes for the year	–	9,884,950	50,472	(391,101)	–	169,323	3,506,729	(89,857)	13,130,516
(I) Total comprehensive income	–	–	–	(391,101)	–	–	4,801,562	171,290	4,581,751
(II) Shareholders' contributions and reduction in capital	–	9,884,950	50,472	–	–	–	–	119,231	10,054,653
1. Capital contribution from owners	–	–	–	–	–	–	–	240,828	240,828
2. Capital contribution from holders of other equity instruments	–	9,884,950	–	–	–	–	–	–	9,884,950
3. Others	–	–	50,472	–	–	–	–	(121,597)	(71,125)
(III) Profit distribution	–	–	–	–	–	169,323	(1,294,833)	(380,378)	(1,505,888)
1. Transfer to surplus reserve	–	–	–	–	–	169,323	(169,323)	–	–
2. Distributions to shareholders	–	–	–	–	–	–	(1,125,510)	(380,378)	(1,505,888)
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	–	–	–	–	2,365,193	–	–	171,777	2,536,970
2. Amount utilized in the current year	–	–	–	–	(2,365,193)	–	–	(171,777)	(2,536,970)
(VI) Others	–	–	–	–	–	–	–	–	–
IV Closing balance of the current year	19,110,000	9,884,950	17,876,690	192,320	12,550	698,872	12,782,248	10,597,394	71,155,024

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

For the year ended 31 December 2016								
Items	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
I Closing balance of the preceding year	19,110,000	9,884,950	33,481,220	(2,105)	12,550	698,872	1,394,324	64,579,811
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior years errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II Opening 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
III Changes for the year	1,613,619	-	4,559,872	3,570	-	401,779	2,063,592	8,642,432
(I) Total comprehensive income	-	-	-	3,570	-	-	4,017,794	4,021,364
(II) Shareholders' contributions and reduction in capital	1,613,619	-	4,559,872	-	-	-	-	6,173,491
1. Capital contribution from owners	1,613,619	-	4,559,872	-	-	-	-	6,173,491
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	401,779	(1,954,202)	(1,552,423)
1. Transfer to surplus reserve	-	-	-	-	-	401,779	(401,779)	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,552,423)	(1,552,423)
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 utilized in the current year	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
IV Closing balance of the current year	<u>20,723,619</u>	<u>9,884,950</u>	<u>38,041,092</u>	<u>1,465</u>	<u>12,550</u>	<u>1,100,651</u>	<u>3,457,916</u>	<u>73,222,243</u>

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

		For the year ended 31 December 2015							
Items		Share capital	Other equity instruments (Perpetual bond)	Capital reserve	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 utilized 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

XI. NOTES TO THE FINANCIAL STATEMENT

(I) BASIC INFORMATION OF THE COMPANY

Metallurgical Corporation of China Ltd. (the “Company”) was established as a joint stock limited liability company by China Metallurgical Group Corporation (“CMGC”) and China Baowu Steel Group Corporation (original name: Baosteel Group Corporation) (“CBSGC”) 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 on 16 September 2009 and listed on the Main Board of 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 CBSGC 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.

Pursuant to the special mandate granted by the shareholders at the 2016 First Extraordinary General Meeting, the 2016 First A Shareholders’ Class Meeting and the 2016 First H Shareholders’ Class Meeting, having received the “Approval in relation to the non-public issuance of Shares by Metallurgical Corporation of China Ltd.” (Zheng Jian Xu Ke [2016] No. 1794) from the China Securities Regulatory Commission (the “CSRC”), the Company started the non-public issuance of 1,613,619,170 A Shares of the Company to certain specific investors on 26 December 2016. Upon completion of the non-public issuance, the share capital of the Company increases to RMB20,723,619,170, and CMGC remains the controlling shareholder of the Company.

On 8 December 2015, the Strategic Restructuring between CMGC and China Minmetals Corporation (“CMC”) started upon the approval of the SASAC, whereby CMGC will be merged into CMC. On 2 June 2016, CMGC and CMC organized a meeting for restructuring. The status of CMGC as controlling shareholder and the SASAC as the ultimate controlling shareholder of the Company will not change upon the completion of the Strategic Restructuring. As of the date of issuance of these financial statements, the Strategic Restructuring and the related transfer of title of the underlying assets are still in progress.

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, construction and other related contracting services for metallurgical and non-metallurgical projects (“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”); and development, mining and processing of mineral resources and the production of 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 28 March 2017.

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises 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 “CASBE”).

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 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 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 balance sheet as at 31 December 2016 and consolidated and the Company’s operating results and cash flows for the year then ended.

3. Accounting period

The Group has 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. The Company adopts RMB to present its financial statements.

(III) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and bank balances

All amounts in RMB'000

Items	Closing balance	Opening balance
Cash	24,201	24,418
RMB	11,908	12,694
USD	1,727	2,404
EUR	137	160
AUD	99	275
HKD	172	143
Others	10,158	8,742
Bank deposits	36,613,768	26,671,366
RMB	30,036,304	22,727,621
USD	5,042,544	2,783,849
EUR	53,966	14,665
AUD	268,048	279,891
HKD	35,168	11,454
Others	1,177,738	853,886
Other cash and bank	8,225,421	7,034,922
RMB	8,118,234	6,961,126
USD	57,803	25,955
EUR	4,497	15,275
AUD	3,010	2,838
Others	41,877	29,728
Total	44,863,390	33,730,706
Including: Total amount of deposits abroad	2,452,056	1,200,050

Bills receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Bank acceptance bills	4,775,354	3,817,183
Commercial acceptance bills	11,251,601	7,543,487
Total	16,026,955	11,360,670

Accounts receivable

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

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	44,974,143	43,286,784
1 to 2 years	15,301,715	13,974,180
2 to 3 years	8,954,013	7,689,965
3 to 4 years	5,516,862	4,420,464
4 to 5 years	3,730,131	1,614,508
Over 5 years	3,201,818	2,129,147
Total book value	81,678,682	73,115,048
Less: provisions for bad debts	12,134,040	9,451,939
Carrying amount	69,544,642	63,663,109

(2) Accounts receivable disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount
Individually significant and subject to provision individually	6,313,520	7.73	2,431,835	38.52	3,881,685	3,282,598	4.49	1,182,870	36.03	2,099,728
Subject to provision by portfolios of credit risk characteristics	73,493,850	/	8,413,587	/	65,080,263	68,778,825	/	7,489,319	/	61,289,506
Group1	54,723,925	67.00	8,413,587	15.37	46,310,338	52,929,011	72.39	7,489,319	14.15	45,439,692
Group2	18,769,925	22.98	—	—	18,769,925	15,849,814	21.68	—	—	15,849,814
Accounts receivable which are individually insignificant but subject to provision individually	1,871,312	2.29	1,288,618	68.86	582,694	1,053,625	1.44	779,750	74.01	273,875
Total	81,678,682	/	12,134,040	/	69,544,642	73,115,048	/	9,451,939	/	63,663,109

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	7,764,242	57.85	9,296,402	67.86
1 to 2 years	2,677,573	19.95	2,006,443	14.65
2 to 3 years	1,268,474	9.45	766,112	5.59
Over 3 years	1,710,769	12.75	1,629,516	11.90
Total	<u>13,421,058</u>	<u>100.00</u>	<u>13,698,473</u>	<u>100.00</u>

Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	18,996,123	19,974,505
1 to 2 years	8,259,895	6,171,325
2 to 3 years	3,787,880	2,300,299
3 to 4 years	1,627,409	1,198,992
4 to 5 years	741,260	530,083
Over 5 years	995,427	1,331,505
Total book value	34,407,994	31,506,709
Less: provisions for bad debts	2,998,039	2,449,911
Carrying amount	<u>31,409,955</u>	<u>29,056,798</u>

(2) Other receivables disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount
Individually significant and subject to provision individually	2,544,423	7.39	993,833	39.06	1,550,590	1,414,576	4.48	514,704	36.39	899,872
Subject to provision by portfolios of credit risk characteristics	31,001,476	/	1,556,909	/	29,444,567	29,689,129	/	1,614,270	/	28,074,859
Group1	6,303,731	18.32	1,556,909	24.70	4,746,822	7,900,614	25.08	1,614,270	20.43	6,286,344
Group2	24,697,745	71.78	—	—	24,697,745	21,788,515	69.16	—	—	21,788,515
Other receivables which are individually insignificant but subject to provision individually	862,095	2.51	447,297	51.88	414,798	403,004	1.28	320,937	79.64	82,067
Total	<u>34,407,994</u>	<u>/</u>	<u>2,998,039</u>	<u>/</u>	<u>31,409,955</u>	<u>31,506,709</u>	<u>/</u>	<u>2,449,911</u>	<u>/</u>	<u>29,056,798</u>

(3) *Other receivables categorised by nature*

All amounts in RMB'000

Nature of other receivable	Closing balance	Opening balance
Guarantee deposits	20,950,115	16,790,322
Loan receivables from related parties and third parties	5,575,828	5,186,555
Advance to employees	605,241	471,465
Receivables on disposal of investments	3,496,106	6,744,249
Others	3,780,704	2,314,118
Total	<u>34,407,994</u>	<u>31,506,709</u>

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	2,108,675	42,985	2,065,690	1,926,197	102,040	1,824,157
Materials procurement	82,972	-	82,972	157,254	-	157,254
Outsourced processing materials	73,396	-	73,396	56,985	-	56,985
Work in progress	2,330,806	7,689	2,323,117	2,534,081	6,710	2,527,371
Finished goods	2,219,413	130,692	2,088,721	2,667,972	281,394	2,386,578
Other materials	433,515	8,440	425,075	426,573	9,496	417,077
Gross amount due from contract customers	63,020,495	1,597,993	61,422,502	52,753,223	1,207,475	51,545,748
Properties under development	43,817,341	188,860	43,628,481	44,084,325	218,630	43,865,695
Completed properties held for sale	<u>10,150,430</u>	<u>69,289</u>	<u>10,081,141</u>	<u>12,584,372</u>	<u>60,000</u>	<u>12,524,372</u>
Total	<u>124,237,043</u>	<u>2,045,948</u>	<u>122,191,095</u>	<u>117,190,982</u>	<u>1,885,745</u>	<u>115,305,237</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	102,040	9,031	–	65,631	2,455	–	42,985
Work in progress	6,710	979	–	–	–	–	7,689
Finished goods	281,394	194,082	3,211	52	347,943	–	130,692
Other materials	9,496	1,041	–	2,097	–	–	8,440
Gross amount due from contract customers	1,207,475	435,896	1,982	501	30,454	16,405	1,597,993
Properties under development	218,630	–	–	–	29,770	–	188,860
Completed properties held for sale	60,000	17,272	–	–	7,983	–	69,289
Total	1,885,745	658,301	5,193	68,281	418,605	16,405	2,045,948

(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	701,466,570
Recognized profits to date	54,969,763
Less: Estimated loss	1,597,993
Accumulated settlements	693,415,838
Gross amount due from contract customers	61,422,502

In 2012, MCC Mining (Western Australia) Pty Ltd. (“Western Australia”), a wholly owned subsidiary of the Group, was forced to postpone the SINO Iron Project, due to reasons like extreme weather condition in Australia and other unpredictable reasons. The owner of the project is CITIC Limited. The Group negotiated with China CITIC Group Ltd. (“CITIC Group”, the parent company of CITIC Limited) for the project delay and the total 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 within USD4.357 billion. The ultimate construction costs for the aforesaid project should be determined by third party auditor. 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.

As of 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.

As of 31 December 2016, 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 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 2016, 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.

Long-term receivables

All amounts in RMB'000

Items	Closing balance			Opening balance			Range of discount rate
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount	
Receivables on project	12,660,112	231,373	12,428,739	12,967,141	139,957	12,827,184	
Receivables on disposal of equity investments	333,485	-	333,485	333,485	-	333,485	4.35%-6.15%
Others	2,260,570	-	2,260,570	1,776,633	-	1,776,633	
Total	<u>15,254,167</u>	<u>231,373</u>	<u>15,022,794</u>	<u>15,077,259</u>	<u>139,957</u>	<u>14,937,302</u>	/
Including: Long term receivables due within one year	3,749,393	3,757	3,745,636	7,113,904	59,123	7,054,781	/
Long term receivables due after one year	<u>11,504,774</u>	<u>227,616</u>	<u>11,277,158</u>	<u>7,963,355</u>	<u>80,834</u>	<u>7,882,521</u>	/

Bills payable

All amounts in RMB'000

Category	Closing balance	Opening balance
Bank acceptance bills	15,387,799	14,375,785
Commercial acceptance bills	2,250,492	1,265,841
Total	17,638,291	15,641,626

Accounts payable

(1) Accounts payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	75,902,867	62,929,061
Purchases	28,330,653	24,471,349
Design fees	292,060	145,177
Labor fees	6,507,948	4,925,248
Retention money	465,114	416,152
Others	500,666	527,001
Total	111,999,308	93,413,988

(2) Aging analysis of accounts payable

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	78,391,900	64,692,866
1 to 2 years	17,055,580	15,073,197
2 to 3 years	7,311,159	7,802,144
Over 3 years	9,240,669	5,845,781
Total	111,999,308	93,413,988

Receipts in advance

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	9,594,322	6,755,317
Sales proceeds	11,570,928	9,485,461
Design fees	575,721	777,410
Labor fees	48,825	157,760
Gross amounts due to contract customers	11,165,516	12,153,097
Others	206,038	810,914
Total	33,161,350	30,139,959

Dividends payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Dividend declared on perpetual bonds classified as equity instrument	168,633	170,010
Other dividends	658,793	621,048
Total	827,426	791,058

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	218,300,773	190,430,766	215,915,614	187,723,147
Other business	1,256,806	939,071	1,408,358	1,094,214
Total	219,557,579	191,369,837	217,323,972	188,817,361

Taxes and levies

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Business tax	1,431,837	4,529,788
City construction and maintenance tax	237,345	384,102
Education surcharges	122,416	201,955
Land appreciation tax	928,968	173,237
Others	567,557	308,080
Total	<u>3,288,123</u>	<u>5,597,162</u>

Selling expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Packing charges	3,824	2,532
Employee compensation costs	680,208	601,007
Depreciation expenses	16,035	13,953
Travelling expenses	160,049	143,609
Office expenses	117,733	187,356
Transportation expenses	126,357	172,228
Advertising and sales service expenses	423,245	229,400
Others	137,807	162,140
Total	<u>1,665,258</u>	<u>1,512,225</u>

Administrative expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Employee compensation costs	4,318,547	4,169,332
Depreciation expenses	610,056	647,768
Travelling expenses	311,700	303,898
Office expenses	560,291	578,694
Lease rentals	139,843	124,998
Research and development expenses	3,309,797	2,828,218
Repairs and maintenance expenses	170,662	120,593
Amortization of intangible assets	185,366	186,541
Consulting expenses	193,882	167,818
Others	625,030	939,216
Total	<u>10,425,174</u>	<u>10,067,076</u>

Financial expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Interest expenses	5,367,845	6,732,560
Less: Capitalized interests	(1,870,441)	(2,763,155)
Less: Interest income	(1,134,547)	(1,658,081)
Exchange gains	(488,497)	(132,012)
Bank charges	165,218	126,203
Others	189,129	221,048
Total	<u>2,228,707</u>	<u>2,526,563</u>

Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
1. Bad debt provision	3,389,780	2,303,482
Including: Accounts receivable bad debts	2,701,199	1,719,472
Other receivables bad debts	597,165	550,979
2. Impairment of inventories	590,020	749,067
3. Impairment of available-for-sale financial assets	4,458	4,730
4. Impairment of fixed assets	34,888	834,698
5. Impairment of construction in progress	3,520	7,988
6. Impairment of intangible assets	4,783	598,893
7. Impairment of goodwill	675	70,148
8. Others	(5,067)	528
Total	<u>4,023,057</u>	<u>4,569,534</u>

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	(119,117)	(257,647)
Investment income on disposal of long-term equity investments	508,589	1,867,442
Investment income from holding financial assets at FVTPL	—	3
Investment income on disposal of financial assets and financial liabilities at FVTPL	14,360	74,803
Investment income from holding available-for- sale financial assets	38,814	40,043
Investment income on disposal of available- for-sale financial assets	1,991	12,323
Others	(4,584)	(1,807)
Total	440,053	1,735,160

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	134,321	226,649	134,321
Including: Gains on disposals of fixed assets	126,268	206,895	126,268
Gains on disposals of intangible assets	7,495	9,392	7,495
Income from penalty	130,178	9,333	130,178
Gains on inventory taking	10	1,057	10
Government grants (a)	707,110	676,858	707,110
Approved unpayable balances	27,431	80,119	27,431
Others	307,660	381,795	307,660
Total	1,306,710	1,375,811	1,306,710

(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
Technology Support Fund	58,000	–	Related to income
Local development subsidies	48,550	48,550	Related to income
Tax return by Baoshan luodian development zone	36,626	25,734	Related to income
Subsidy of the MOF for the retirement expense	35,700	44,137	Related to income
Subsidies For Tieshanping Ecological Zone			
Construction	20,000	10,000	Related to income
Employment subsidy by Heihe province of Argentina	19,737	–	Related to income
Compensation for Demolition of Buildings in Shuanggang Road	18,460	–	Related to income
The Rebate of VAT on Sewage Treatment Services	18,058	–	Related to income
Tax Return for Luodian Fujin Development Zone	18,000	13,500	Related to income
Employment subsidy by Baotou	17,546	–	Related to income
Others	416,433	534,937	Related to assets or income
Total	707,110	676,858	/

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	49,353	46,861	49,353
Including: Losses on disposals of fixed assets	48,123	39,515	48,123
Losses on disposals of intangible assets	1,083	7,312	1,083
Non-recurring losses	381,204	6,857	381,204
Fines and surcharges for overdue payments	30,772	28,725	30,772
Compensation and default payments	38,578	47,383	38,578
Losses on written-off of fixed assets	90	98	90
Others	153,203	41,517	153,203
Total	653,200	171,441	653,200

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	2,400,380	2,757,040
Deferred tax expenses	(722,256)	(562,648)
Total	<u>1,678,124</u>	<u>2,194,392</u>

(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	7,647,771	7,143,136
Income tax expenses calculated at the statutory tax rate (25%)	1,911,943	1,785,784
Effect of difference between applicable tax rate and statutory tax rate	(547,014)	(410,019)
Income not subject to tax	(134,524)	(147,873)
Expenses not deductible for tax purposes	265,532	180,688
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	(423,218)	(188,722)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	1,046,405	1,210,555
Others	(441,000)	(236,021)
Income tax expense	<u>1,678,124</u>	<u>2,194,392</u>

- (3) There was no provision for Hong Kong profits tax 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.

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	(4,938)	(418,332)
Less: Income tax effects on re-measurement of defined benefit obligations	2,008	(5,830)
Subtotal	(6,946)	(412,502)
(II) Items that may be reclassified subsequently to profit or loss		
1. Changes in fair value of available-for-sale financial assets	(41,875)	33,312
Amount included in other comprehensive income in prior years that is transferred to profit or loss for the current year	3,705	3,318
Less: Income tax effects on available-for-sale financial assets	(11,143)	6,551
Subtotal	(34,437)	23,443
2. Exchange differences on translating foreign operations	73,948	7,398
Amount transferred to profit or loss for the current year on disposal of foreign operations	–	–
Less: Income tax effects on the exchange differences on translating foreign operations	(4,684)	(14,668)
Subtotal	78,632	22,066
Total	37,249	(366,993)

(IV) EVENTS AFTER THE BALANCE SHEET DATE

Appropriation of profit after the balance sheet date

According to the decision of the twenty-ninth meeting of the second term of the Board of Directors of the Company, the Company proposed to distribute cash dividend of RMB0.60 (inclusive of tax) for every 10 shares held by the shareholders which amount to RMB1,243,417 thousand. The total number of shares of the Company was 20,723,620,170. The dividend distribution is subject to the approval by the Shareholders at the upcoming annual Shareholders meeting.

Other events after the balance sheet date

As at 13 December 2016, as approved by “Zheng Jian Xu Ke [2016] No. 3073” from the CSRC, the Company will publicly issue the Renewable Corporate Bonds with an aggregate amount not exceeding RMB8 billion in multiple tranches to qualified investors.

From February 28 to March 1, 2017, the Company has publicly issued the Renewable Corporate Bonds (First Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.(“the First Tranche Bonds”). The actual offering size of the First Tranche Bonds is RMB2.70 billion. The term of the First Tranche Bonds shall be three years. At the end of each term, the Company is entitled to extend the First Tranche Bonds for an additional term (i.e. three years), or to redeem the First Tranche Bonds in full as they fall due at the end of the term. The coupon is 4.99% for the first three interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every three years from the fourth interest accrual year, which is determined by the current benchmark interest rate plus the initial difference of the interest rate and 300 basis points.

From March 10 to March 13, 2017, the Company has publicly issued the Renewable Corporate Bonds (Second Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.(“the Second Tranche Bonds”). The actual offering size of the Second Tranche Bonds is RMB2 billion. The term of the Second Tranche Bonds shall be three years. At the end of each term, the Company is entitled to extend the Second Tranche Bonds for an additional term (i.e. three years), or to redeem the Second Tranche Bonds in full as they fall due at the end of the term. The coupon is 4.98% for the first three interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every three years from the fourth interest accrual year, which is determined by the current benchmark interest rate plus the initial difference of the interest rate and 300 basis points.

(V) OTHER SIGNIFICANT ITEMS

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 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 balance sheet, 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 2016 and as at 31 December 2016

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	187,638,690	22,506,446	5,112,103	3,789,153	4,139,758	–	3,628,571	219,557,579
Including: Revenue from external customers	185,191,680	22,291,259	4,749,890	3,741,575	3,583,175	–	–	219,557,579
Revenue between segments	2,447,010	215,187	362,213	47,578	556,583	–	3,628,571	–
Operating costs	166,896,342	16,376,237	4,558,392	3,352,201	3,696,573	–	3,509,908	191,369,837
Including: External costs	164,483,505	16,180,634	4,188,137	3,308,510	3,209,051	–	–	191,369,837
Costs between segments	2,412,837	195,603	370,255	43,691	487,522	–	3,509,908	–
Operating profit/(loss)	4,757,001	3,755,221	(543,764)	(935,214)	198,516	(195,077)	42,422	6,994,261
Including: Interest income	355,371	234,819	35,834	10,078	1,142,225	–	643,780	1,134,547
Interest expenses	2,101,806	415,698	140,520	575,819	907,341	–	643,780	3,497,404
Investment income/(loss) from associates and joint ventures	26,850	465,427	(161,958)	–	(2,729)	–	–	327,590
Non-operating income	954,589	216,137	57,848	48,841	29,295	–	–	1,306,710
Non-operating expenses	580,448	15,282	21,863	19,643	15,964	–	–	653,200
Total profit/(loss)	5,131,142	3,956,076	(507,779)	(906,016)	211,847	(195,077)	42,422	7,647,771
Income tax expense	709,753	821,078	21,440	8,640	117,213	–	–	1,678,124
Net profit/(loss)	4,421,389	3,134,998	(529,219)	(914,656)	94,634	(195,077)	42,422	5,969,647
Assets	266,340,920	97,490,879	16,464,484	20,460,100	37,075,969	4,358,008	64,698,756	377,491,604
Including: Long-term equity investments in associates and joint ventures	4,391,205	708,458	–	–	63,822	–	–	5,163,485
Non-current assets	27,588,226	3,377,105	5,374,702	14,922,236	17,133,433	–	11,979,370	56,416,332
Liabilities	221,940,913	71,833,031	9,686,611	22,531,109	31,289,833	212,401	63,109,997	294,383,901
Depreciation and amortization expenses	1,643,983	72,552	346,250	862,071	128,483	–	–	3,053,339
Assets impairment losses	3,575,091	174,655	110,721	159,839	2,751	–	–	4,023,057
Increase in other non-current assets other than long-term equity investments	2,260,831	197,626	162,766	406,076	153,591	–	–	3,180,890

(b) 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 expenses	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

(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

	Amount recognized in the current year	Amount recognized in the prior year
Operating revenue		
China	207,127,940	201,181,659
Other countries/regions	12,429,639	16,142,313
Total	219,557,579	217,323,972

All amounts in RMB'000

	Closing balance	Opening balance
Non-current assets		
China	42,449,490	42,732,119
Other countries/regions	13,966,842	12,175,794
Total	56,416,332	54,907,913

- (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.

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	5,375,858	4,801,562
Including: Net profit from continuing operations	5,375,858	4,801,562
Less: Net profit belong to the perpetual bond holders	501,373	170,010
Net profit for the current year attributable to ordinary shareholders	4,874,485	4,631,552

- (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	8,818	–
Less: Weighted average number of ordinary shares repurchased during the year	–	–
Number of ordinary shares outstanding at the end of the year	<u>19,118,818</u>	<u>19,110,000</u>

- (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	0.25	0.24
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.25	0.24
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	<u>N/A</u>	<u>N/A</u>

XII. DIVIDENDS

The net profit attributable to Shareholders of listed Company in the audited consolidated statement of MCC in 2016 amounted to RMB5,375,858 thousand and the undistributed profit of MCC headquarters amounted to RMB3,457,916 thousand. Based on the total share capital of 20.724 billion shares, the Company proposed to distribute cash dividend of RMB0.60 (tax inclusive) for every 10 shares to all Shareholders and total cash dividend will amount to RMB1,243,417

thousand, accounting for 23.13% of net profit attributable to Shareholders of listed Company in the consolidated statement. The remaining undistributed profit of RMB2,214,499 thousand will be rolled over to the coming year for distribution. The implementation of the aforementioned profit distribution plan shall be subject to consideration and approval at Shareholders' Meeting. If an approval is obtained, the Company will pay the dividend on or before 31 August 2017. The Company will publish further announcement(s) regarding the details of arrangement for distribution of dividends to Shareholders.

XIII. SHARE CAPITAL

(I) Changes in the ordinary share capital

1. Table of 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 registered at China Securities Depository and Clearing Company Limited.

For changes in shares incurred by the non-public issuance of A shares of the Company completed on 6 January 2017, please refer to (II) Issuance and listing of securities.

2. Explanation on the changes in ordinary shares

☐ Applicable ☒ Not Applicable

Pursuant to the special mandate granted by the shareholders at the 2016 First Extraordinary General Meeting, the 2016 First A Shareholders' Class Meeting and the 2016 First H Shareholders' Class Meeting, having received the "Approval in relation to the non-public issuance of Shares by Metallurgical Corporation of China Ltd." (Zheng Jian Xu Ke [2016] No. 1794) from the CSRC, the Company carried out the non-public issuance of 1,613,619,170 RMB-denominated ordinary shares (A Shares) with a nominal value of RMB1 each to specific investors on 26 December 2016. On 30 December 2016, the net amount of raised proceeds from non-public issuance actually received by the Company was RMB6.173 billion. The actual receipt of proceeds in the non-public issuance was verified by Deloitte Touche Tohmatsu, and De Shi Bao (Yan) Zi (16) No. 1081) (德師報 (驗) 字(16)第1081號)) was issued on 31 December 2016.

The registration of trusteeship and trading moratorium procedures of 1,613,619,170 RMB-denominated ordinary shares (A Shares) were completed at the Shanghai branch of China Securities Depository and Clearing Company Limited on 6 January 2017 (please see the relevant announcement of the Company dated 11 January 2017 for details).

3. *Impact of changes in ordinary shares on financial indicators of earnings per share and net asset per share, etc. of the latest year and latest period*

On 30 December 2016, the net amount of proceeds raised from the non-public issuance which was actually received by the Company was RMB6.173 billion. Share capital and net assets of the Company increased by 1.614 billion shares and RMB6.173 billion, respectively, leading to a decrease of RMB0.01 in the basic earnings per share of the Company in 2016 and an increase of RMB0.04 in net assets per share.

(II) Issuance and listing of securities

1. *Issuance of securities during the Reporting Period*

Unit: Share Currency: RMB

Type of shares and its derivatives	Issuance date	Issue price (or interest rate)	Number of shares issued	Listing date	Number of shares approved for listing and trading	Termination date of transaction
Non-public issuance of A Shares	2016-12-26	RMB3.86/share	1,613,619,170	2017-01-06	1,613,619,170	-

Explanation on the issuance of securities as of the Reporting Period:

In order to continue to expand, strengthen and optimize the core business and raise the core competitiveness of the enterprise with reduction in the Company's gearing ratio, optimization of the capital structure and enhancement of the risk-resistant capability, the Company conducted the non-public issuance of A shares to targeted investors with an issue price of RMB3.86 per share.

The selection of targeted subscribers under the non-public issuance are fair and just, in the interests of the Company and its Shareholders as a whole and in compliance with the "Measures Governing the Issue of Securities by Listed Companies", the "Implementation Rules for the Non-public Issue of Shares by Listed Companies (Revised in 2011)" and other relevant laws and regulations. The target subscribers exclude the Controlling Shareholder of the Company and the de facto controller of the Company or associates under its control, Directors, Supervisors, senior management, lead underwriters and related parties which are associated with the above-mentioned institutions and individuals. None of the Controlling Shareholder and the de facto controller of the Company or associates under its control, Directors, Supervisors, senior management, lead underwriters and related parties which are associated with the abovementioned institutions and individuals, directly or indirectly through structured or other forms, subscribe for the A Shares under the issuance. In total, eight target subscribers participated in the Company's non-public issuance.

The proceeds raised under the non-public issuance are proposed to be used in the following projects:

Category	No.	Project Name
Investment in infrastructure	1	Zhuhai Shizimen Business District Commercial Complex Project (珠海市十字門中央商務區商務組團項目)
	2	Luzhou Airport Road Construction Project (瀘州空港路建設項目)
Investment in energy conservation and environmental protection	3	Zhanjiang Iron and Steel Environmental Protection Project (湛江鋼鐵環保項目)
Construction of affordable housing	4	Wang Jia Xin Cheng Phase II (汪家馨城二期項目)
	5	Mantang Jiayuan Project(滿堂家園項目)
Other	6	Replenishment of liquidity and repayment of bank loans

On 30 December 2016, all funds raised from the non-public issuance of A Shares were transferred to the account designated by the Company. Upon completion of the issuance, net proceeds amounted to RMB6,173,491 thousand after deducting relevant issuance fees. The Company will strictly comply with the arrangement of the use of proceeds: first, RMB4.36 billion will be used for funding projects, and currently the funds are deposited in the account of A share raised funds of the Company; second, RMB1.813 billion will be used for replenishment of current capital and repayment of bank loans. In January 2017, all the amounts were used for repayment of bank loans. The procedures for the registration and depository of the issuance of new shares were completed on 6 January 2017, details of which are set out in the relevant announcement of the Company dated 11 January 2017.

2. *Changes in the total number of ordinary shares and Shareholder structures and changes in the asset and liability structures of the Company*

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

The change of share capital of the Company before and after the completion of registration in relation to the non-public issuance of A Shares is as follow:

		<i>Unit: Share</i>		
		Before the change	Changed amount	After the change
Tradable shares subject to selling restrictions	1. RMB-denominated ordinary shares	0	1,613,619,170	1,613,619,170
	2. Overseas-listed foreign shares	0	0	0
	Total tradable shares subject to selling restrictions	0	1,613,619,170	1,613,619,170
Tradable shares not subject to selling restrictions	1. RMB-denominated ordinary shares	16,239,000,000	0	16,239,000,000
	2. Overseas-listed foreign shares	2,871,000,000	0	2,871,000,000
	Total tradable shares not subject to selling restrictions	19,110,000,000	0	19,110,000,000
Total amount of shares		<u>19,110,000,000</u>	<u>1,613,619,170</u>	<u>20,723,619,170</u>

Net assets of the Company increased by RMB6.173 billion after completion of the non-public issuance.

3. Existing internal employee shares

The Company does not have any internal employee shares during the Reporting Period.

(III) Particulars of Shareholders and de facto controller

1. Total number of Shareholders

Total number of ordinary Shareholders as of the end of the Reporting Period	551,009
Total number of ordinary Shareholders as at the end of last month prior to the disclosure date of the annual report	527,034

2. Table of shareholding of the top 10 Shareholders and top 10 Shareholders with tradable shares (or Shareholders not subject to selling restrictions) as of the end of the Reporting Period

Unit: Share

Name of Shareholder (full name)	Shareholding of the top 10 Shareholders						Nature of Shareholder
	Change during the Reporting Period	Number of shares held at the end of the period	Percentage (%)	Number of shares subject to selling restrictions	Shares pledged or frozen		
					States of shares	Amount	
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	0	12,265,108,500	64.18	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (香港中央結算 (代理人) 有限公司)(2)	-10,000	2,841,765,000	14.87	0	Nil	0	Others
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	27,983,052	305,064,410	1.60	0	Nil	0	State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	90,087,800	0.47	0	Nil	0	State-owned legal person
Agricultural Bank of China Limited – Fullgoal CSI State-owned Enterprises Reform Index Classified Fund (中國農業銀行股份有限公司－富國中證國有企業改革指數分級證券投資基金)	44,428,400	44,428,400	0.23	0	Nil	0	Others
Jin Xiaoqi (靳曉齊)	25,984,657	25,984,657	0.14	0	Nil	0	Others
Evergrande Life Insurance Company Limited – Comprehensive Portfolio B (恒大人壽保險有限公司－萬能組合B)	20,758,400	20,758,400	0.11	0	Nil	0	Others
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	20,543,436	20,543,436	0.11	0	Nil	0	Others
Evergrande Life Insurance Company Limited – Conventional Portfolio A (恒大人壽保險有限公司－傳統組合A)	15,601,560	15,601,560	0.08	0	Nil	0	Others
Huang Canliang (黃燦良)	1,475,000	14,005,160	0.07	0	Nil	0	Others

Name of Shareholder	Shareholding of top 10 Shareholders not subject to selling restrictions		
	Number of tradable shares not subject to selling restrictions held	Types and number of Shares	
		Types of shares	Number of shares
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	12,265,108,500	RMB-denominated ordinary shares	12,265,108,500
HKSCC Nominees Limited (香港中央結算(代理人)有限公司) 有限公司	2,841,765,000	Overseas-listed foreign shares	2,841,765,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	305,064,410	RMB-denominated ordinary shares	305,064,410
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	90,087,800	RMB-denominated ordinary shares	90,087,800
Agricultural Bank of China Limited – Fullgoal CSI State-owned Enterprises Reform Index Classified Fund (中國農業銀行股份有限公司 – 富國中證國有企業改革指數分級證券投資基金)	44,428,400	RMB-denominated ordinary shares	44,428,400
Jin Xiaoqi (靳曉齊)	25,984,657	RMB-denominated ordinary shares	25,984,657
Evergrande Life Insurance Company Limited – Comprehensive Portfolio B (恒大人壽保險有限公司 – 萬能組合B)	20,758,400	RMB-denominated ordinary shares	20,758,400
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	20,543,436	RMB-denominated ordinary shares	20,543,436
Evergrande Life Insurance Company Limited – Conventional Portfolio A (恒大人壽保險有限公司 – 傳統組合A)	15,601,560	RMB-denominated ordinary shares	15,601,560
Huang Canliang (黃燦良)	14,005,160	RMB-denominated ordinary shares	14,005,160

Explanations on the connections or parties acting in concert among the aforesaid Shareholders:

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

Note 1: Figures in the table were extracted from the Company's register of members as of 31 December 2016.

Note 2: The H Shares held by HKSCC Nominees Limited are those held on behalf of its equity owners.

3. *Number of Shares held by top 10 Shareholders subject to selling restrictions and information on the selling restrictions*

During the Reporting Period, the Company did not have any shares subject to selling restrictions.

During the Reporting Period, the Company did not have any Shareholders subject to selling restrictions.

Details of the top 10 Shareholders subject to selling restrictions upon completion of the registration of the non-public issuance of A Shares by the Company on 6 January 2017 is set out as follows:

Name of Shareholder	Number of tradable shares subject to selling restrictions held	Types of shares
Huatai Asset Management Company Ltd. – Strategic Investment Products		
(華泰資產管理有限公司－策略投資產品)	185,220,207	RMB-denominated ordinary shares
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	181,345,336	RMB-denominated ordinary shares
Penghua Asset – China Merchants Bank – China Resources SZITIC Trust – China Resources Trust • Bohui No. 45 Collective Fund Trust (鵬華資產－招商銀行－華潤深國投信託－華潤信託•博薈45號集合資金信託計劃)	161,580,310	RMB-denominated ordinary shares

Name of Shareholder	Number of tradable shares subject to selling restrictions held	Types of shares
CCB Principal Asset – ICBC – Shaanxi International Trust – Shannxi International Investment • Haitang No. 2 Directional Investment Collective Fund Trust (建信基金－工商銀行－陝西國際信託－陝國投•海棠2號定向投資集合資金信託計劃)	161,404,041	RMB-denominated ordinary shares
Yunnan International Trust Co., Ltd. – Yunnan Trust – Huahao No. 1 Collective Fund Trust (雲南國際信託有限公司－雲南信託－華浩1號集合資金信託計劃)	161,404,041	RMB-denominated ordinary shares
Lion Fund – Industrial Securities – Nanjing Shuang'an Asset Management Co., Ltd. (諾安基金－興業證券－南京雙安資產管理有限公司)	161,401,139	RMB-denominated ordinary shares
Caitong Fund – China Everbright Bank – China Galaxy Securities Co., Ltd. (財通基金－光大銀行－中國銀河證券股份有限公司)	51,806,010	RMB-denominated ordinary shares
Corporate Annuity Plan for China Energy Engineering Group Co., Ltd. – Bank of China Limited (中國能源建設集團有限公司企業年金計劃－中國銀行股份有限公司)	43,142,798	RMB-denominated ordinary shares
Caitong Fund – China Everbright Bank – China Galaxy Securities Co., Ltd. (財通基金－光大銀行－中國銀河證券股份有限公司)	38,854,508	RMB-denominated ordinary shares
Huatai Premium Commingled Pension Product – Industrial and Commercial Bank of China Limited (華泰優逸混合型養老金產品－中國工商銀行股份有限公司)	38,854,508	RMB-denominated ordinary shares

(IV) Controlling Shareholder and de facto controller

1. Controlling Shareholder

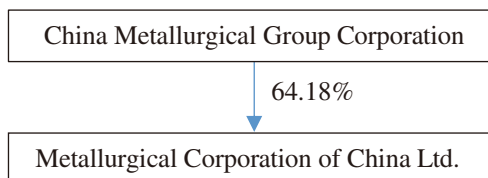
(1) *Particulars of MCC Group, the Controlling Shareholder of the Company:*

Name	China Metallurgical Group Corporation
Person in charge or legal representative	Guo Wenqing
Date of incorporation	18 December 1982
Principal business Operations	Scope of business operations: 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 and operation; bidding agent; undertaking various types of international industrial and civilian 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; resources development, processing and utilization of metallic mineral products and relevant services.
Equity interests in other domestic and overseas listed companies controlled and held by the Company during the Reporting Period	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.

(2) *Index and the date of changes of the Controlling Shareholder during the Reporting Period*

There was no change in the Controlling Shareholder of the Company during the Reporting Period.

(3) *The equity and controlling relationship between the Company and the Controlling Shareholder*

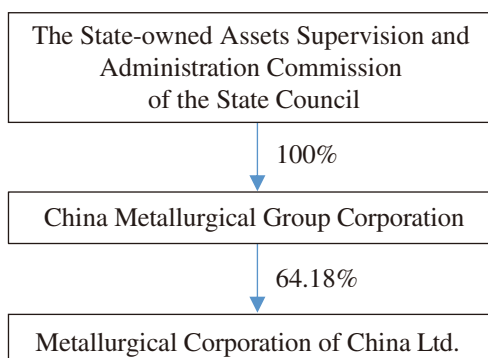


The equity and controlling relationship between the Company and the Controlling Shareholder at the end of the Reporting Period is shown as above. Upon completion of the registration of the non-public issuance of A Shares by the Company on 6 January 2017, the shareholding percentage of the Controlling Shareholder in the Company decreased from 64.18% to 59.18%.

2. *De facto controller*

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

The chart regarding equity and controlling relationship between the Company and the de facto controller



The equity and controlling relationship between the Company and the de facto controller at the end of the Reporting Period is shown as above. Upon completion of the registration of the non-public issuance of A Shares by the Company on 6 January 2017, the shareholding percentage of MCC Group, the Controlling Shareholder, in the Company decreased from 64.18% to 59.18%.

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, 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. The CSRC and the Securities and Futures Commission 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 disclosure date of this report, the equity transfers in relation to the strategic restructuring have not been completed.

(V) 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 SECURITIES OF THE COMPANY

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

XV. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 the 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.

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, except paragraph E.1.2 of the Corporate Governance Code. Pursuant to paragraph E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting. Guo Wenqing, the chairman of the Company, was unable to attend the 2015 annual general meeting due to business engagement. Pursuant to the relevant requirements, Zhang Zhaoxiang, an executive Director and president of the Company, as jointly elected by a majority of Directors of the Company, presided over the meeting.

On 6 January 2017, the Company completed the formalities of the custody of stock registration in relation to the non-public issuance of A shares. On 11 January 2017, the Company amended Article 18 under the Articles of Association

for the purpose of increasing the registered capital and other relevant matters of the Company based on the actual result of the non-public issuance (for details, please refer to the relevant announcement of the Company dated 12 January 2017).

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as the codes governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all Directors and their respective associates, each Director and Supervisor of the Company confirmed that they and their associates had fully complied with the required standards 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 2016.

XVIII. ANNUAL GENERAL MEETING AND CLOSURE OF H SHARE REGISTER OF MEMBERS

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

XIX. AUDITOR

Upon approval at the 2015 annual general meeting of the Company, the Company appointed Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) ("Deloitte Touche Tohmatsu") as its auditors for the year 2016, and was responsible for the annual audit and interim review of the financial statements of the Company prepared in accordance with the 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 statutory financial audit services for part of the subsidiaries.

The audit and review fees for the financial statements for 2016 are RMB20.7 million, while the internal control audit fees for the year are RMB2.7 million.

Deloitte Touche Tohmatsu has provided annual audit services for the Company for three consecutive years. The signing certified public accountants for the 2016

audit report are Ma Yan Mei, Chen Wen Long, whom have acted as the signing certified public accountants and have been providing audit services for the Company for three consecutive years.

XX. PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2016 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 6 April 2017 for inspection by the Shareholders.

XXI. DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“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
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*
“AUD”	Australian dollars, the lawful currency of Australia
“Board”	the board of directors of Metallurgical Corporation of China Ltd.*
“China” or “PRC”	the People's Republic of China, excluding, for the purposes of this document, Hong Kong, Macao and Taiwan
“China Minmetals”	China Minmetals Corporation
“connected person(s)”	connected party/parties under A Share Listing Rules and connected person(s) under the H Share Listing Rules
“Controlling Shareholder” or “MCC Group”	China Metallurgical Group Corporation
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors

“EUR”	Euro, the lawful currency of the member states of the European Union
“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 traded in Hong Kong dollars
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Listing Rules” or “H Share Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Director” or “Independent Non-executive Director”	a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“MOHURD”	Ministry of Housing and Urban-Rural Development of the People’s Republic of China
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	from 1 January 2016 to 31 December 2016
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“SGD”	Singapore dollars, the lawful currency of Singapore
“Shanghai Listing Rules” or “A Share Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Shareholder(s)”	holder(s) of share(s) of the Company
“Shareholders’ Meeting”	the shareholders’ meeting of Metallurgical Corporation of China Ltd.*
“State Council”	the State Council of the People’s Republic of China
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“the Company” or “MCC”	Metallurgical Corporation of China Ltd.*
“USD” or “US dollars”	US dollars, the lawful currency of the United States of America

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.*
Li Yuzhuo
Joint Company Secretary

Beijing, the PRC
28 March 2017

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*