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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)

2017 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 2017. The highlights are as follows:

- Operating revenue amounted to RMB244,000 million, representing a year-on-year increase of RMB24,442 million or 11.13% from RMB219,558 million in 2016.
- Operating profit amounted to RMB8,779 million, representing a year-on-year increase of RMB1,700 million or 24.01% from RMB7,079 million in 2016.
- Net profit amounted to RMB6,712 million, representing a year-on-year increase of RMB742 million or 12.43% from RMB5,970 million in 2016.
- Net profit attributable to Shareholders of the Company amounted to RMB6,061 million, representing a year-on-year increase of RMB685 million or 12.75% from RMB5,376 million in 2016.
- Basic earnings per share amounted to RMB0.26, and the basic earnings per share in 2016 amounted to RMB0.25.
- As at 31 December 2017, total assets amounted to RMB414,565 million, representing an increase of RMB37,073 million or 9.82% from RMB377,492 million as at 31 December 2016.
- As at 31 December 2017, total Shareholders' equity amounted to RMB97,320 million, representing an increase of RMB14,212 million or 17.10% from RMB83,108 million as at 31 December 2016.
- Newly signed contracts amounted to RMB604,901 million, representing an increase of RMB102,497 million or 20.40% from RMB502,404 million in 2016.

I. CHAIRMAN’S STATEMENT

Dear shareholders,

In 2017, MCC followed the development trend and forged ahead steadily with a firm determination and by concerted efforts. As MCC relentlessly lowered the gearing ratio, reduced interest-bearing liabilities, and strictly controlled funds appropriated to accounts receivable and inventories, its operating results reached a new peak, and the Company maintained a strong momentum. During the Reporting Period, the accumulated new contracted value of the Company made a great stride to reach RMB604,901 million, representing a year-on-year growth of 20.40%. The operating revenue amounted to RMB244,000 million, representing a year-on-year growth of 11.13%. Total profit was RMB8,975 million, increased by 17.35% year on year; net profit attributable to Shareholders of the Company recorded RMB6,061 million, increased by 12.75% year on year.

The year of 2017 was a year of diligence and breakthrough for MCC. Guided by 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 development with advanced technologies and high quality”, the Company maintained positive interaction between market expansion and strengthened management, therefore improving both quality and benefit. By enhancing design and operation of “macro environment, mega projects and heavyweight clients”, the Company recorded year-on-year growth of over 20% in new contracts for three consecutive years. With a focus on promoting the national team for metallurgical construction to be advanced, optimized and re-created, the Company strengthened its leading position in the metallurgical market, and undertook almost medium and large metallurgical projects within China and in countries along the “the Belt and Road”. Benefiting from high-level, high-end and high-value marketing, the Company signed 246 new contracts with each valued over RMB500 million, and the total contracted value reached RMB318,180 million, representing a year-on-year growth of 43.02% and 27.23% respectively. The Company also enhanced delicacy management and improved self-cultivation, so as to realize better quality and enhance efficiency. Just within a year, the “year of construction improvement (工程建設提升年)” initiative fostered a mighty force in project management to realize better management practices.

The Company kept improving its hard and soft power simultaneously to improve its brand influence. While attracting clients by pursuing advanced technology, lowered costs and better quality, the Company also valued the recognition of cultural brand. It won a fame by its technology advantages, ranking top among central enterprises in metallurgical and construction industries by 4 honors of State Science and Technology Prize in 2017. It is also the greatest winner in China Patent Award, with one gold award and 19 excellence awards, and became the only company that won China Patent Gold Award for three consecutive years. The Company had 7,868 new patent applications and 3,806 new authorized patents, accumulating 21,004 effective patents and ranking the fourth among central enterprises for four consecutive years. Pieces of positive news about MCC were frequently circulated by mainstream media including CCTV, Xinhua News and People’s Daily, which improved the Company’s image and boosted the morale.

The Company made a balance between development and risk control and optimized its operating quality. Development was the top priority and the unshakable key note. But prudential risk control also played a key role, and the Company set up a complete risk control system. The Company took strict policies to reduce funds appropriated to accounts receivable and inventories, deepened structure streamlining, disposed zombie members and offered bail-out to troubled members, and urged loss-making members to reform. In the meantime, it rolled out strict policies to control investment risks, and kept optimizing the investment structure.

Setting sail for greater achievement in a new era. In 2018, MCC will comprehensively implement the spirit of the 19th National Party Congress and adhere to the guidance of Socialism with Chinese Characteristics for a new era proposed by President Xi Jinping, and take on its mission and continue its journey. Under the guidance of the development vision of “focusing on the core business in building a better MCC”, and according 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 development with advanced technologies and high quality”, MCC will develop a new style and enthusiasm to further consolidate the foundation for business promotion, creating an even stronger power of excellence and more vibrant momentum.

People will become invincible with all strength gathered, and will succeed in everything with all wisdom provided. Diligent as it is, with the spirit of reform and innovation, MCC will speed up its pace to realize quality development, and uphold the vision of ascending to the world’s top end and promoting development of the whole metallurgical industry, thus realizing advancement of core technologies to remain at the top of the market. MCC will push ahead with optimization by industry chain consolidation advantages, so as to retain its irreplaceable role in the industry. With its continuously improved innovation capability, MCC will promote expansion at home and abroad to boost recreation and accelerate construction of the world’s top one “national team” for metallurgical construction and operation services, therefore shouldering the national responsibility of leading itself to higher end and to the center of the world stage. Being the main force with a strong will, MCC will stick to the market development principle of “herding sheep on lands with lush grass and casting a net in pools with fish”, and take advanced and vibrant regions and countries along “the Belt and Road” as its main battlefield, thus strengthening its profitability and market competitiveness, and assuming its corporate responsibility in advancing new urbanization. Ambitious as it is, MCC will give full play to its advantage and invest heavily in emerging industries to build a stable and high-quality brand portfolio in utility tunnel, large theme park construction, sponge city, smart city, beautiful countryside, environment and new energy, and senior life and healthcare, thus becoming a leader in high-end markets with premium products and advanced technologies, and assuming its corporate responsibility in building beautiful and healthy China and improving people’s life.

In the upcoming year, MCC, with its high spirits and confidence, will practise its motto “Make progress every day, and do not slacken the pace”, do its utmost to open new doors, and create better operating results and greater value for shareholders and 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 2017, China continued to maintain a stable performance while at the same time secured progress and good prospect in its economic development. The national investment in fixed assets (excluding farmers) amounted to RMB63,168.4 billion, representing an increase of 7.2% when compared with last year.

In 2017, the iron and steel enterprises witnessed a steady recovery and a gradual rebound, accelerated environmental protection upgrading, structural adjustments and transformation. More opportunities in relation to transformation and upgrading, energy saving and environmental protection and operation service emerged gradually in the domestic iron and steel industry, and the whole industry has relatively strong market demands for green development, intelligent development and top-level operation service, which provided substantial opportunities for the Company in traditional core business to strive for the “national team for metallurgical construction” to be advanced, optimized and re-created.

In 2017, the investment in infrastructure across the country amounted to RMB14 trillion, representing a year-on-year increase of 19%. With the further advancement of supply-side structural reform and the effective implementation of national strategies and schemes including the coordinated development of the Beijing, Tianjin, and Hebei Region (京津冀協同), Xiong'an New Area, the construction of the Yangtze River Economic Belt, and “Guangdong-Hong Kong-Macao” Greater Bay Area, the construction of infrastructure and urbanization in China has further sped up. Emerging industries maintained strong momentum. Businesses related to these emerging industries, including utility tunnel, theme park, sponge city and water environment comprehensive improvement, smart city and beautiful countryside construction, prefabricated buildings and senior life and healthcare, will embrace great potential for development.

In 2017, the global economy saw continuous recovery, while demand in major economies rebounded with improved market expectations. The Chinese government has continued to push forward “the Belt and Road”, strengthened its strategic alignment with other countries along the route, ushered in a broader room

for cooperation in infrastructure construction, metallurgical engineering, equipment manufacturing and other fields, creating more market opportunities for the Company's overseas business expansion.

(2) *The Operating Results of the Business*

During the Reporting Period, the new construction contracts of the Company amounted to RMB555.830 billion, representing a year-on-year increase of 21.89%, further creating a record high.

Newly signed metallurgical engineering contracts amounted to RMB78.857 billion, accounted for 14.19% of the new contracts, representing an increase of 72.30% as compared with 2016.

Newly signed non-steel engineering contracts amounted to RMB476.973 billion, accounted for 85.81% of the new contracts, representing an increase of 16.26% as compared with 2016.

Newly signed overseas contracts amounted to RMB57.054 billion.

The overall operating results of the engineering contracting business in 2017

Unit: RMB'000

	2017	% of the total	2016	Year-on-year growth
Segment operating revenue	208,612,860	83.65%	187,638,690	11.18%
Gross margin (%)	<u>11.15</u>	<u>-</u>	<u>11.05</u>	<u>Increased by 0.10 percentage point</u>

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

① **Metallurgical Engineering Construction Business**

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” during the Reporting Period to deepen the development and construction of the whole-process, full-function and full-life-cycle business and service system, continuously conquer the difficulties on core technology, and 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

of national team for metallurgical construction, continuously increasing the competitiveness and influence of the Company in the international iron and steel engineering technology sector. The Company retained and matched the advantageous resources in accordance with the 8 major units and 19 business units in the traditional metallurgical procedures to develop the leading core technology by requiring all sections of the national team to aim for the goal of being the top of the world, put more efforts on technology R&D with respect to energy conservation and environmental protection, new material, new techniques, new equipment and other aspects, and accelerated the commercialization of the core technology and the continuous strengthening of the overall capability of the “national team” for metallurgical construction. With respect to market development, the Company seized the market opportunity of turnaround in iron and steel industry, focused on advancement, optimization and re-creation of major metallurgical industry again, focused on capacity replacement, relocation projects for urban steel plants and metallurgical energy saving and environmental protection technology transformation market, thus largely contracted all the large-scale projects of environmental protection related relocation, energy saving and emission reduction and industrial upgrading, and firmly consolidated its position of the “national team for metallurgical construction”.

In the overseas metallurgical construction markets, the Company introduced the Chinese technical standards and the whole industrial chain mode “going out” with the highest level of MCC national team. Following the successful construction of Ha Tinh Steel Plant in Vietnam and Kuantan Steel Plant in Malaysia, the Company entered into a number of special projects during the Reporting Period, such as the General Contracting Project for Steel Melting of Hoa Phat Company in Vietnam, The subsidiaries of the Company successfully obtained the steel refining, sintering and power generation tender among the intense competition with numerous international and domestic bidders, demonstrating its strength as the MCC national team. The Supervision Project for the Iron and Steel Project in Bolivia, which was the first overseas iron and steel supervision project successfully secured by the Company in South America. The Technical Renovation Project of HBIS Group Serbia Iron & Steel Co., Ltd. created a good start for the Company to implement projects in Eastern Europe. The Major Process Line Project of 3.50 Million Tonnes at Steel Plant in Dexin, Indonesia, which is a modern and comprehensive iron and steel plant project of large scale constructed by the Company in Indonesia.

The operating revenue of the metallurgical engineering construction business of the Company for the recent 3 years and the proportion accounting for the total contract income of the project are as follows:

Unit: RMB'000

Items of revenue	2017		2016		2015	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	<u>48,097,655</u>	<u>23.06</u>	<u>47,719,519</u>	<u>25.43</u>	<u>67,869,750</u>	<u>36.43</u>

Note: The revenue by segments is the data before inter-segment eliminations.

During the Reporting Period, the key metallurgical engineering construction projects entered into by the Company are as follows:

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
Domestic Projects			
1	Steel-making Engineering PC Contracting Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司煉鋼工程PC承包項目)	26.1	China 22MCC Group Co., Ltd.
2	EPC General Contracting Engineering for Coking Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司焦化項目EPC總承包工程)	26.0	ACRE Coking & Refractory Engineering Consulting Corporation, MCC
3	Sintering Machine No. 1-4 Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司1-4號燒結機工程)	17.0	Northern Engineering & Technology Corporation, MCC
4	Equipment Supply Contract for Blast Furnaces 1#, 2#, 3# and 5# PC Contracting Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司煉鐵1#、2#、3#、5#高爐PC承包項目設備供貨合同)	16.3	MCC Capital Engineering & Research Incorporation Limited
5	Construction and Installation Contract for Blast Furnaces 1#, 2#, 3# and 4# PC Contracting Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司煉鐵1#、2#、3#、4#高爐PC承包項目建築安裝合同)	12.3	MCC Capital Engineering & Research Incorporation Limited

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
6	EPC Contract for Design of No. 5#, 6# Coke Oven Environmental Protection Relocation Project of Tangshan Ganglian Coking Co., Ltd. (唐山鋼聯焦化有限責任公司5#、6#焦爐環保搬遷工程設計施工總承包合同)	8.1	ACRE Coking & Refractory Engineering Consulting Corporation, MCC
7	Heavy Repair Project for Relocation of No. 1 Furnace of Ningbo Steel in Ningbo (EPC General Contracting) (寧波寧鋼1號高爐易地大修項目(EPC總承包))	7.0	CISDI Group Co., Ltd.
8	PC General Contracting Construction for Full Energy Recovery Construction of Clean and Environmental Friendly Coke-making in Sanming City, Fujian Province (福建三明全能量回收清潔環保型製焦工程PC總承包工程)	6.9	China First Metallurgical Group Co., Ltd.
9	400,000-ton Manganese Alloy Remote Technical Transformation Project of Suiyang Circular Economy Integration Project in Guizhou Province (貴州省綏陽循環經濟一體化項目40萬噸錳系合金異地技改工程)	5.9	MCC Capital Engineering & Research Incorporation Limited
10	Closed Transformation Project of All Gentries of Coal Fields of Shanghai Baosteel Holdings Co., Ltd. (上海寶鋼股份有限公司煤場全門架封閉改造工程)	5.5	Shanghai Baoye Group Corp., Ltd.
11	Construction of Ancillary Facility of Electromechanical Equipment for Stainless Steel Intensive Processing Engineering of Guangqing Metal Technology Co., Ltd. in Yangjiang City, Guangdong Province (廣東陽江廣青金屬科技有限公司不銹鋼深加工工程機電設備成套)	5.2	WISDRI Engineering & Research Incorporation Ltd.
12	General Contracting Contract for Ancillary and Supporting Facility of Stainless Steel Intensive Processing Technological Renovation of Guangqing Metal Technology Co., Ltd. in Yangjiang City, Guangdong Province (廣東陽江廣青金屬科技有限公司不銹鋼深加工技術改造主體配套及公輔總承包合同)	5.1	WISDRI Engineering & Research Incorporation Ltd.
13	Ancillary Active Coke Flue Gas Purification Construction for Sintering Machine No. 1-4 Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司1-4號燒結機配套活性焦煙氣淨化工程)	5.1	Northern Engineering & Technology Corporation, MCC
14	Construction of Section I of Removal from Urban Area and Technological Transformation Project on Petroleum Pipes of Dalipal Pipe Company in Cangzhou City, Hebei Province (Phase I) (河北省滄州達力普石油專用管有限公司石油管退城搬遷技改項目一期 I 標段工程)	5.1	CISDI Group Co., Ltd.

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
15	Construction and Installation of Hot-rolled Strip Production Line for Rolling Steel 3#1780mm and Common Water Treatment Area for Rolling Lines 2#1450 and 3#1780 of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司軋鋼3#1780mm熱軋帶鋼生產線及2#1450軋線與3#1780軋線共用水處理區域建築安裝)	5.0	Shanghai Baoye Group Corp., Ltd.
Overseas Projects			
1	The Ferronickel Factory Project in Amonggedo, Indonesia (印尼 Amonggedo 鎳鐵廠項目)	20.8	MCC Overseas Ltd.
2	Dexin Steel 2*1,780m ³ Furnace Project (德信2*1,780m ³ 高爐工程項目)	10.9	WISDRI Engineering & Research Incorporation Ltd.
3	Engineering Project of Converter, Steelmaking and Continuous Casting of Dexin Company (德信轉爐煉鋼連鑄工程項目)	9.9	WISDRI Engineering & Research Incorporation Ltd.
4	Technical Renovation Project of HBIS Group Serbia Iron & Steel Co., Ltd. (河鋼塞爾維亞有限公司技術改造項目)	7.2	China Metallurgical Construction Engineering Group Co., Ltd.
5	General Contracting Project for Steel Melting of Hoa Phat Company in Vietnam (越南和發煉鋼總包項目)	6.5	WISDRI Engineering & Research Incorporation Ltd.

② Non-Steel Engineering Construction Business

Fundamental Construction

During the Reporting Period, the Company continued to enhance the design and operation of “macro environment, heavyweight clients and mega projects”. In line with the national strategy, the Company integrated its advantages and resources and by using developed and dynamic regions including “the Belt and Road” cities, Beijing-Tianjin-Hebei, the Yangtze River Delta and the Pearl River Delta as the battle field, the Company further optimized the market layout. With research in business models, the Company strengthened its ability to contract “high-tech, new, multi-functional and large-scale” projects, stepped up its efforts on market development in non-steel sectors such as municipal infrastructure, premium property construction, regional development, highways, rail transit and civil airports, and achieved remarkable results, with 18 newly-signed strategic agreements supported by projects, it steadily increased its project reserve and sustainability.

During the Reporting Period, the Company adhered to pursuing the path for development with advanced technologies and high quality, fully leveraged the innovative advantages of integration of scientific research and engineering, accelerated the transition, transformation and continuous innovation of the technological advantages and resources available in the metallurgical industry to basic construction and emerging industries with broader market prospects, with a total of 14 projects awarded with the Luban Prize. The Company entered into contract for the National Snowmobile and Sleigh Center Project (國家雪車雪橇中心項目), a core key construction for the 2022 Winter Olympics, the Company once again undertook world-class projects on the world's top architecture stage following the undertaking of venues for international events such as the BRICS Conference, the G20 Conference, the APEC Conference, the World Expo and the Summer Olympics.

During the Reporting Period, the Company continued to implement engineering projects under PPP model and seized the strategic opportunity to strengthen market development, expand its business scale, raise its new contract amount, and drive its transformation and upgrade. In 2017, the Company won the bids for 143 new PPP projects and the total investment amount was RMB272.403 billion. In terms of industry distribution, the PPP projects mainly included road, industrial park and its infrastructure construction, integrated pipeline corridor, shanty town transformation and public housing, public construction and ecological construction projects.

During the Reporting Period, the Company presented many bright spots in the non-steel overseas market, including: a framework cooperation agreement in relation to projects such as ports and industrial parks in Cambodia was consented by Samdech Hun Sen, Prime Minister of Cambodia, and signed under the testimony of Premier Li Keqiang and Samdech Hun Sen, Prime Minister of Cambodia. The General Contracting Project of a Business Complex consisting of 8 CONLAY Kempinski Hotel and Serviced Apartments in Kuala Lumpur (吉隆坡8 CONLAY凱賓斯基酒店及服務式公寓商業綜合體總承包項目) entered into by the Company was the first overseas project of skyscrapers with over 300 metres successfully secured by the Company, which represented that the Company reached a new level of overseas engineering. In addition, the Company also entered into a total of 12 projects with value more than US\$200 million, including the Kuwait Healthcare Hospital Project (科威特醫保醫院項目) and the Hongfu New City Comprehensive Development Project in St. Petersburg, Russia (俄羅斯聖彼得堡宏福新城綜合開發項目).

The operating revenue of the Company in each sub-segment of non-steel engineering construction for the recent 3 years and the proportion accounting for the total amount of engineering contracting are as follows:

Unit: RMB'000

Items of revenue	2017		2016		2015	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Housing construction engineering	93,677,430	44.90	88,041,621	46.92	79,824,172	42.85
Transportation infrastructure	43,856,822	21.02	31,860,213	16.98	18,649,604	10.01
Other engineering	22,980,953	11.02	20,017,337	10.67	19,960,581	10.71

Note: The revenue by segments is the data before inter-segment eliminations.

During the Reporting Period, the key infrastructure projects entered into by the Company are as follow:

No.	Name of Project	Contractual	Party to the Contract
		Amount (RMB100 million)	
Domestic Projects			
1	Expansion and Transformation Engineering PPP Project for Qingshuiyi – Zhonghe Section (the Eastern Section of the North Ring Road) of G30 Highway from Lianyungang, Jiangsu Province to Horgos (PPP Project) (江蘇G30連雲港–霍爾果斯高速公路清水驛至忠和段擴容改造(北繞城東段)工程PPP項目)	86.6	China MCC 17 Group Co., Ltd.
2	EPC for Leshan National Hi-tech Industrial Development Zone in Sichuan (PPP Project) (四川樂山高新區高新產業園項目工程總承包項目(PPP項目))	43.5	CISDI Group Co., Ltd.
3	Construction of Chengdong Avenue Elevated Expressway in Xuzhou City, Jiangsu Province (江蘇徐州市城東大道高架快速路工程)	33.1	MCC Communication Construction Group Co., Ltd.
4	EPC Contract for PPP Project of Construction Engineering of Airport Express and Road Network in Huangpi District, Wuhan (PPP Project) (武漢黃陂區機場快線及路網建設工程PPP項目施工總承包合同(PPP項目))	32.1	China MCC 5 Group Co., Ltd.
5	EPC Contract of Construction of Guiyang City Rail Transit Line 2 (Phase II) (PPP Project) (貴陽市軌道交通2號線二期工程施工總承包合同(PPP項目))	32.0	Shanghai Baoye Group Corp., Ltd.

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
6	Tongwei-Dingxi Highway Project in Gansu (甘肅通渭至定西高速公路項目)	28.3	China Second Metallurgical Group Corporation Limited
7	Residential Houses and Ancillary Facilities for A4, A5 Land Parcel of Living City, Yangzhou, Jiangsu (江蘇揚州京華城中城A4、A5地塊房屋及配套設施項目)	25.0	Shanghai Baoye Group Corp., Ltd.
8	EPC Project for Construction of Baolong Longhu Sports Park and Road Upgrading in Baolong District, Guangdong Province (廣東省寶龍龍湖體育運動公園建設及寶龍片區道路提升改造EPC項目)	24.9	China MCC 20 Group Co., Ltd.
9	PPP Project of Promotion and Renovation of Urban Trunk Road and City Square in Shunqing District, Nanchong City, Sichuan Province (PPP Project) (四川省南充市順慶區城市主干道及城市廣場提升改造PPP項目(PPP項目))	22.8	China MCC 5 Group Co., Ltd.
10	Wuhan-Dawu Highway Project (Nanhu Village to Hekou Section) in Hubei Province (湖北武漢至大悟高速公路(南湖村至河口段)項目)	22.5	China First Metallurgical Group Co., Ltd.
11	EPC Engineering Project for Design, Procurement and Construction of Xincheng Industrial Park Zone in Yanping (PPP Project) (延平新城產業園區設計-採購-施工(EPC)工程項目(PPP項目))	21.4	China First Metallurgical Group Co., Ltd.
12	Section 2 Project of Eastern River Ring Road Expressway in Jianyang City, Sichuan Province (四川簡陽市河東環線快速通道項目2標段)	20.5	China First Metallurgical Group Co., Ltd.
13	Integrated Demonstrative Project of Industrial Park and Industrial City in Fukang, Xinjiang (新疆阜康產業園產城融合示範項目)	20.0	Huatian Engineering & Technology Corporation, MCC
14	Section 1 Project of Eastern River Ring Road Expressway in Jianyang City, Sichuan Province (四川簡陽市河東環線快速通道項1標段)	19.4	China First Metallurgical Group Co., Ltd.
15	Five Financing Construction Projects including the Project in Creative Road (previously known as Xinglong Road 122) in Chengdu City, Sichuan Province (四川成都創意路(原興隆122路)等5個融資建設項目)	17.6	China MCC 5 Group Co., Ltd.

No.	Name of Project	Contractual	Party to the Contract
		Amount (RMB100 million)	
Overseas Projects			
1	Sino-Russian Friendship Convention and Exhibition Centre Project in St. Petersburg, Russia (俄羅斯聖彼得堡中俄友誼會展中心項目)	40.2	China 22MCC Group Co., Ltd.
2	Kuwait Healthcare Hospital Project (科威特醫保醫院項目)	36.5	Metallurgical Corporation of China Ltd.
3	Project for Construction, Completion and Maintenance Work for Roads and Flyover Systems Between Existing Ring No. 6 and Flyover No. 82 in Kuwait (科威特現有6環線至82號立交橋之間道路和立交系統的施工、完工及維護工程項目)	32.8	Metallurgical Corporation of China Ltd.
4	Construction Work for Residential Purposes of Emerald City Project (Phase I) in Papua New Guinea (巴布亞新畿內亞翡翠城項目(一期)住宅工程)	23.8	MCC International Incorporation Ltd.
5	Comprehensive Development on Real Estate Project in Zone 1, Colombo, Sri Lanka (斯里蘭卡可倫坡1區地產綜合開發項目)	21.1	MCC International Incorporation Ltd.

Emerging Industries

During the Reporting Period, the Company has made great efforts in “emerging industries” to increase its competitiveness in the emerging markets through resources integration, technology advancements and adjustment to marketing model. It has made major breakthroughs in emerging industries such as urban integrated subterranean pipeline corridor, special engineering, sponge city, beautiful countryside and smart city, health care, and water environment management. The Company, relying on professional technical advantages of each professional technical research institute under the Company, seized the market opportunities, and provided entire industrial chain, all-round comprehensive services to our customers.

In the urban integrated subterranean pipeline corridor field, as the earliest constructor of the integrated subterranean pipeline corridor in the PRC, the Company is able to provide consultation, planning, survey, design, construction, supervision and operating services, with professional comprehensive capability and overall strength in the whole process of the projects and entire industrial chain. In May 2017, the Company successfully held the 2017 Promotion Conference for Application of New Technology in Chinese

Urban Integrated Steel Pipeline Corridor in Hengshui, Hebei and released the assembled corrugated steel pipeline corridor, a new product first invented in the PRC, and the local technical standards, which has greatly enriched the application of new materials in the integrated pipeline corridor, resolved the problem of overcapacity of steel and increased the application of steel structure products in construction and the standard of urban construction.

During the Reporting Period, the Company won the bids for a total of 42 integrated pipeline corridor projects with a mileage of 417.4 km and total investment amounted to RMB45,250 million.

During the Reporting Period, the key merging industries projects entered into by the Company are as follows:

No.	Name of Project	Contractual	Party to the Contract
		Amount (RMB100 million)	
Urban Integrated Subterranean Pipeline Corridor Projects			
1	Integrated Subterranean Piping Systems of Funan New District of Hengshui City, Hebei Province (PPP Project) (河北省衡水市滏南新區綜合管廊項目) (PPP項目)	35.4	MCC TianGong Group Corporation Limited
2	EPC Contract of Construction of Extension Road and Integrated Piping System of Chunyu Road and Jinma Road in Kunming City (PPP Project) (昆明市春雨路及金馬路延長線道路和綜合管廊建設工程施工總承包) (PPP項目)	35.2	China MCC 19 Group Co., Ltd.
3	PPP Project for Integrated Subterranean Piping Systems Phase II (Cooperation Zone) of Huichun City in Jilin (PPP Project) (吉林琿春市城市地下綜合管廊二期工程(合作區)PPP項目) (PPP項目)	21.8	China MCC 20 Group Co., Ltd.
4	PPP Work (B) Project for Integrated Subterranean Piping Systems of Chengbei New Zone, Urumqi High-tech Zone (New District) (PPP Project) (烏魯木齊高新區(新市區)城北新區地下綜合管廊PPP工程(B包)項目) (PPP項目)	20.2	China MCC 17 Group Co., Ltd.
5	Construction (Phase I) Project of Urban Integrated Subterranean Piping System in Ruili City, Yunnan Province (PPP Project) (雲南省瑞麗市城市地下綜合管廊建設工程(一期)項目(PPP項目))	18.2	MCC TianGong Group Corporation Limited

No.	Name of Project	Contractual	Party to the Contract
		Amount (RMB100 million)	
Themed Park Projects			
1	Theme Park Cultural Tourism Complex Project of Sunbase Commercial New Town Project in Guanshanhu District, Guiyang (貴陽市觀山湖區新恒基商業新城項目主題公園文化旅遊綜合體項目)	25.0	China First Metallurgical Group Co., Ltd.
2	Project of Huangcaozhou National Wetland Park in Luxi County, Yunnan Province (雲南瀘西黃草洲國家濕地公園項目)	19.0	China Huaye Group Co., Ltd.
3	General Contracting Project (EPC) for Construction of Sui-Tang Grand Canal World Heritage Park in Shangqiu, Henan Province (河南商丘隋唐大運河世界遺產公園建設工程總承包項目(EPC)合同)	10.4	Huatian Engineering & Technology Corporation, MCC
4	Construction Project for Water Park in Area F, Island 1#, Haihua Island, Hainan, China (中國海南海花島1#島F區水上樂園建設工程)	7.0	Central Research Institute of Building and Construction Co., Ltd.
Sponge City Projects			
1	PPP Project for Rain-sewage Separation Project of Sponge City in Siping City, Jilin Province (PPP Project) (吉林省四平市海綿城市PPP項目雨污分流(PPP項目))	13.6	MCC Communication Construction Group Co., Ltd.
2	Construction Engineering for Sponge City (Phase II) in Siping City, Jilin Province (吉林省四平市海綿城市(二期)建設工程)	11.3	MCC Communication Construction Group Co., Ltd.
3	EPC General Contracting Project for Black and Odor Water Treatment and Sponge Engineering of Downstream Yuxi River in Yunnan Province (PPP Project) (雲南省玉溪大河下游黑臭水體治理及海綿工程EPC總承包項目(PPP項目))	7.8	China First Metallurgical Group Co., Ltd.
Beautiful Countryside and Smart City Projects			
1	Comprehensive Construction Project of Characteristic Urban Public Services and Infrastructure in Shuitian New District, Yanjin County, Yunnan Province (Phase I) (雲南省鹽津縣水田新區特色城鎮公共服務及基礎設施綜合建設(一期)工程)	26.0	CISDI Group Co., Ltd.
2	PPP Project of Whole City Promotion of the Beautiful Countryside Construction in Jieshou City, Anhui Province (PPP Project) (安徽界首市美麗鄉村建設整市推進PPP項目(PPP項目))	15.4	China First Metallurgical Group Co., Ltd.
3	Construction Project of Beautiful Village, Integrated Transformation of Environment in Small City Town, Hospitals and Municipal Roads in Lianshi Town, Nanxun Area, Huzhou City, Zhejiang Province (浙江省湖州市南潯區練市鎮美麗鄉村建設、小城鎮環境綜合整治、醫院、市政道路項目)	15.0	China Second Metallurgical Group Corporation Limited

No.	Name of Project	Contractual	Party to the Contract
		Amount (RMB100 million)	
4	EPC Project of 19 projects including Qunxian North Street in Chengdu City, Sichuan Province etc. (四川省成都市群賢北街等19個項目設計-施工總承包項目)	11.4	China MCC 5 Group Co., Ltd.
5	Infrastructure Construction Project of Spa Town in Zhundong Economic and Technological Development Zone of Xinjiang (新疆准東經濟技術開發區溫泉小鎮基礎設施建設項目)	10.0	China Second Metallurgical Group Corporation Limited
Healthcare and Special Town Projects			
1	Construction Project of “Northern Medicine Valley” Unique Town in Siping City, Jilin Province (吉林省四平市「北方藥谷」特色小鎮建設項目)	15.1	MCC Communication Construction Group Co., Ltd.
2	PPP Project of Intelligent Health Care Small Town (Phase I) in Rizhao City, Shandong Province (PPP Project) (山東日照智慧康養小鎮項目(一期)PPP項目(PPP項目))	14.4	Huatian Engineering & Technology Corporation, MCC
3	Construction Project of Unique Small Town and Tourism Avenue in Pingdu City, Shandong Province (PPP Project) (山東平度市特色小鎮及旅遊大通道建設項目(PPP項目))	14.1	China First Metallurgical Group Co., Ltd.
4	Construction Project of Yunnanyi Unique Small Town in Xiangyun County, Yunnan Province (雲南祥雲縣雲南驛特色小鎮建設項目)	12.8	MCC TianGong Group Corporation Limited
5	Infrastructure and Public Welfare Project in Shangjie District, Zhengzhou City (PPP Project) (鄭州市上街區基礎設施及公益事業項目(PPP項目))	8.5	China First Metallurgical Group Co., Ltd.
Water Environment Management Projects			
1	Shenzhen Buji River Basin Comprehensive Treatment Construction Contract (深圳布吉河流域綜合治理工程合同)	13.6	Huatian Engineering & Technology Corporation, MCC
2	General Contracting Contract for PPP Project of Comprehensive Treatment of Water System of Cangshan Convention and Exhibition Center Town Area in Fuzhou City (PPP Project) (福州市倉山會展中心片區水系綜合治理PPP項目工程總承包合同(PPP項目))	11.0	MCC Capital Engineering & Research Incorporation Limited
3	Enhancement Project of Xinzhou River Water Environment in Futian District, Shenzhen (深圳福田區新洲河流域水環境提升工程)	9.9	Huatian Engineering & Technology Corporation, MCC
4	General Contracting Contract for PPP Project of Comprehensive Treatment of Water System of Xindian Town Area in Fuzhou City (PPP Project) (福州市新店片區水系綜合治理PPP項目工程總承包合同(PPP項目))	8.1	MCC Capital Engineering & Research Incorporation Limited
5	Wuhan North Lake Sewage Treatment Plant Project and its Ancillary Constructions (Land Leveling Works and Earthwork, Pile Foundation Works and Tailwater Culvert Project) (武漢市北湖污水處理廠及其附屬工程—場平土方、樁基工程及尾水箱涵工程)	5.6	China First Metallurgical Group Co., Ltd.

2. *Property Development Business*

(1) *Industry Overview*

In 2017, under the principle of the domestic property policy that “houses should be built for living, not for speculation”, local governments implemented control measures on city clusters and transitioned from curbing traditional demand end to increasing on supply side. Restrictions on purchase, loan and sale, coupled with restriction on land auction were imposed by governments, resulting in the optimized supply structure and the gradual effect of the control measures. Meanwhile, leveraging on the closer connection between short-term restrictions and long-standing mechanism, greater efforts in the development of housing rental market and the deepened development of housing pilot projects with joint ownership, the restrictions on housing prices were made further headway, the housing supply system from multiple levels was improved and a balanced system of housing purchase and renting was better placed, which advanced the sound establishment of the long-standing mechanism.

In 2017, the national investments in property development amounted to RMB10,979.9 billion, representing a nominal increase of 7.0% when compared with last year. The areas of new construction of housing were 1,786.54 million square meters (“sq. m.”), representing an increase of 7.0% when compared with last year, among which, the areas of new construction of residential buildings were 1,280.98 million sq.m., representing an increase of 10.5% when compared with last year. The areas of land acquired by property development enterprises were 255.08 million sq.m., representing an increase of 15.8% when compared with last year.

(2) *The Operating Results of the Business*

Weighted by the policy restrictions on “de-inventory” and the “home buying restrictions and credit tightening”, the Company adopted different policies that were tailored to characteristics of each category and of each city during the Reporting Period, MCC Real Estate, a subsidiary of the Company, carried on accomplishing the strategic layout that Yangtze River Delta, Pearl River Delta and the Beijing-Tianjin-Hebei Region as core development areas with coverage nationwide by speeding up works on reserving quality land parcels in key areas. It acquired 7 land parcels with designed construction area of 1.40 million sq.m. through public auction and 4 land parcels through transfer of equity interests with aggregate designed construction area of 0.85 million sq.m. MCC Real Estate recorded a ranking of 42th, which improved by 6 places among 2017 China Top 100 Real Estate Developers, boasting the greatest ranking improvement in the chart over the past two years.

During the Reporting Period, the amount invested by the Company in property development was RMB21.267 billion, representing a year-on-year increase of 50.3%, with construction area of 10.7431 million sq.m., representing a year-on-year decrease of 7.1%; among which, new construction area accounted for 1.8993 million sq.m., representing a year-on-year decrease of 24.8%; completed area accounted for 1.8494 million sq.m., representing a year-on-year decrease of 25.8%; contract sales area accounted for 1.4156 million sq.m. with contract sales amount of RMB23.187 billion.

The overall operating results of the property development business in 2017

Unit: RMB'000

	2017	% of the total	2016	Year-on-year growth
Segment revenue	24,914,457	9.99%	22,506,446	10.70%
Gross margin (%)	<u>24.83</u>	<u>-</u>	<u>27.24</u>	<u>Decreased by 2.41 percentage points</u>

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

During the Reporting Period, the highlights of property projects developed by the Company are as follows:

- ① **MCC Xinglong Xincheng • Hongshijun Project.** On 2 November 2017, MCC Real Estate won through bidding the land use rights for parcels located at Hongshili Village and Nantumen Village of Xinglong County at RMB1.291 billion. The project is located in Xinglong County, Chengde City, Hebei Province, which was elected as the “2017 100 Best Counties for Summer Resort in China” and “100 Best Small Towns for Deep Breaths in China”, with a total planning site area of 12,000 mu and total construction land of 3,000 mu. The planning site area, construction land area and floor area for phase I of the project will be 4,000 mu, 1,847 mu and 1.76 million sq.m., respectively, with a planning plot ratio of 1.2. The project represents the transformation of MCC Real Estate from a single real estate developer to an urban integrated operator. The project will, with no doubt, become the work of the time after the strengthening of the MCC brand. The major structure of this project is now under construction, and the preliminary formalities of the project are being handled. It is expected that the project will be launched for initial sale in mid-2018.

- ② Zhuhai MCC Yijing Mansion Project. On 28 June 2017, Zhuhai MCC Mingheng Real Estate Co., Ltd. won through bidding the land use right for the parcel of Zhu Heng Guo Tu Chu 2017-05 located at Hengqin New Area at RMB5,012 million. The project is located within the scope of the international residential area planned by Hengqin Free Trade Area. The land parcel is the first land parcel solely for residential purpose in the international residential area, and the first land parcel transferred by Hengqin Free Trade Area solely for residential purpose since 2013. The project covers a site area and permissible gross floor area of 170,000 sq.m. and 230,000 sq.m., respectively, with an integrated plot ratio of 1.35. In addition, the project lays against mountain and is faced with sea, which is a scarce low-density landscape residential project in Hengqin New Area and even in Zhuhai. The underground part of the project is currently under construction, and the preliminary formalities of the project are being handled. It is expected that the project will be launched for initial sale in mid-2018.
- ③ Zhuhai Headquarter Building Phase II Project. In December 2010, Zhuhai Hengqin Headquarter Building Investment and Development Co., Ltd. won through bidding the state-owned land use right for the parcel of project at approximately RMB800 million in cash. In 2015, MCC Real Estate acquired 31% equity interest in the project company through equity transfer, and is responsible for the later-stage development of the project. The project is located at Hengqin port in Hengqin Free Trade Area in Zhuhai City, which has superior geographical position being on the other side of the river from Macao. The project is planned to be a commercial and office complex, which is designed by Mr. Keith Griffiths, the founder partner of the world-renowned architecture practices Aedas. Taking “double dragons in pursuit of a pearl” as the design concept, the project is built to be a future landmark building in Hengqin and even Southern China. The pile foundation of the project is currently under construction, and the preliminary formalities of the project are being handled. It is expected that the project will be launched for initial sale in mid-2019.

3. *Equipment Manufacture Business*

(1) *Industry Overview*

Against the backdrop of “de-capacity” addressed by the state for the iron and steel industry, the domestic metallurgical equipment manufacture industry, as the ancillary industry of the steel industry, still demonstrated no significant improvement generally. Along with the transformation of the national economy and further adjustments in the structure of industry on an ongoing basis, the entire metallurgical industry of our country adhered to the industrial policies of phasing out outdated production facilities, improving the structure of industry and promoting innovation-driven development.

Given the features of strong strength, great resilience capacity, high level of industrial production, less pollution, more recycling and other advantages, together with the vigorous promotion of industrialization of construction industry and application of green building materials for environmental-friendly steel structure by the country, the steel structure market has a large room for development. The Country transformed from “advancement of steel structure construction in a proactive and sound manner” to “devotion of greater efforts in steel structure construction”, which has formed a favorable policy environment for the upgrading and rapid development of the industry.

(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 2017

Unit: RMB’000

	2017	% of the total	2016	Year-on-year growth
Segment revenue	6,254,959	2.51%	5,112,103	22.36%
Gross margin (%)	<u>9.15</u>	<u>–</u>	<u>10.83</u>	<u>Decreased by 1.68 percentage points</u>

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

During the Reporting Period, due to the over-capacity of domestic steel and iron industry, the downturn in the metallurgical equipment market and other factors, the overall profitability of the equipment manufacture segment of the Company was relatively weak. Moving forward, the Company will gradually divest from underperforming low-tech businesses with uncertain prospect for its equipment manufacture segment and strengthen its process in the reorganization of the existing equipment manufacturing drivers that provides support to the core technology which would likely have a more favorable prospect.

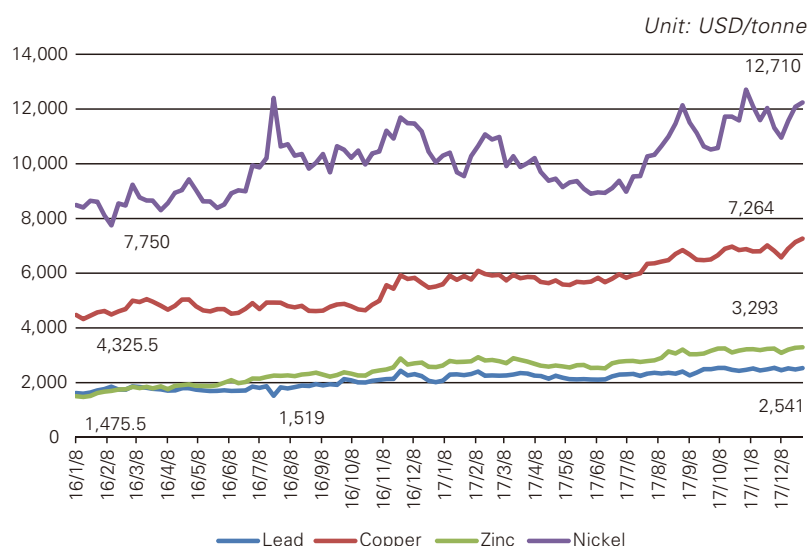
The Company will further reinforce control measures, continue to better allocate its steel structure business and assets and make all efforts in developing its capacity advantage of steel structure manufacturing business. The Company has been making breakthroughs in regional integration by kicking off pilot integration programs for regional resources of steel structures in developed regions and has been reinforcing its strengths within the integrated industry chain covering research and development, design, manufacturing, installation, testing and maintenance of the steel structures of the Company.

4. *Resource Development Business*

(1) Industry Overview

In 2017, the recovery of two major economies, namely Europe and the US, had obvious driving effect to the restoration of export growth of the PRC. In addition to the positive momentum of economy, all major economies around the world introduced their own economic rejuvenation programs. Driven by the new global infrastructure investment boom and the rapid development of emerging economies such as India and Indonesia, the market demand for raw materials was also increasing, and the consumption of most metal products has steadily increased. In 2017, international prices of all metal products rebounded after hitting the bottom, the prices of major products continued to rise in fluctuation, becoming the main force to promote the rise of global commodities prices. The prices of nickel, copper, zinc and other metals picked up in fluctuation, among which, the prices of nickel and copper had rebounded by 50% in 2017 from its lowest point in 2016, while the price of zinc metal had rebounded by 100%.

LME price trend of nickel, copper, lead and zinc in 2016-2017



(2) The Operating Results of the Business

During the Reporting Period, 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. In line with "refining management, enhancing quality, reducing costs, controlling risks and making profits", the Company strived to improve the development and operating services of its own mineral resources.

The overall operating results of the resource development business in 2017

Unit: RMB'000

	2017	% of the total	2016	Year-on-year growth
Segment revenue	5,664,790	2.27%	3,789,153	49.50%
Gross margin (%)	28.59	-	11.53	Increased by 17.06 percentage points

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

During the Reporting Period, details of resource projects in hand of the Company are as follows:

① Papua New Guinea Ramu Nico Project

During the Reporting Period, the average ratio of production capacity of the project for the year was 108%, with maximum ratio in a single month reaching 114%. The unit cost of production indicators continued to decline, and the recycle rate of nickel and cobalt was further improved, which proved the obvious enhancement of the profitability of the project.

During the Reporting Period, the production of nickel and cobalt contained in Ni-Co hydroxide of the project were 34,664 tonnes and 3,307 tonnes, representing year-on-year increases of 55.91% and 51.21%, respectively. Revenue from sales amounted to RMB2,613.0558 million.

② Pakistan Duddar Lead-Zinc Mine Project

Duddar Lead-Zinc Mine Project strived to push forward refined management and on-site standardization, optimized mining design and construction and production layout, resulting in the advancement of related renovation and additional projects of the lower system in an orderly manner according to the plan and the gradual increase in the production of products of the upper system. On 20 December 2017, the vertical mine restoration project, with a construction period of one year, was completed under inspection and acceptance and had trial run conducted two months in advance.

In 2017, the production of zinc concentrate ore and lead concentrate ore of Duddar Lead-Zinc Mine Project were 38,913 tonnes and 5,079 tonnes, representing year-on-year increases of 152.63% and 154.71%, respectively. Revenue from sales amounted to RMB308.0220 million.

③ Pakistan Saindak Copper-Gold Mine Project

During the Reporting Period, this project completed the overburden removal of north ore amounting to 9.20 million tonnes in advance, and entered into the Leasing Contract of Pakistan Saindak Copper-Gold Mine Project with Pakistan Saindak Metal Co., Ltd., pursuant to which Saindak Project will enter the third lease term.

In 2017, the production of crude copper of the project was 10,052 tonnes, representing a year-on-year decrease of 28.89%. Revenue from sales amounted to RMB699.8376 million.

④ 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.

⑤ Argentina Sierra Grande Iron Ore Mine Project

In 2017, the sales of iron concentrate ore inventories of the project amounted to 41,424 tonnes, representing a year-on-year decrease of 78.20%. Revenue from sales amounted to RMB26.7661 million.

(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 nearly 70 years of technological experience, forming the core competitiveness for sustainable development, which are reflected: 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, forming corporate spirit and vision with high popularity.

During the Reporting Period, there were no material changes in the Company's core competitiveness.

III. FINANCIAL HIGHLIGHTS

The highlights of Company's financial position as at 31 December 2017 and the operating results for 2017 are as follows:

(I) Overview

- Operating revenue amounted to RMB244,000 million, representing a year-on-year increase of RMB24,442 million or 11.13% from RMB219,558 million in 2016.
- Operating profit amounted to RMB8,779 million, representing a year-on-year increase of RMB1,700 million or 24.01% from RMB7,079 million in 2016.
- Net profit amounted to RMB6,712 million, representing a year-on-year increase of RMB742 million or 12.43% from RMB5,970 million in 2016.
- Net profit attributable to Shareholders of the Company amounted to RMB6,061 million, representing a year-on-year increase of RMB685 million or 12.75% from RMB5,376 million in 2016.
- Basic earnings per share amounted to RMB0.26, and the basic earnings per share in 2016 amounted to RMB0.25.
- As at 31 December 2017, total assets amounted to RMB414,565 million, representing an increase of RMB37,073 million or 9.82% from RMB377,492 million as at 31 December 2016.
- As at 31 December 2017, total Shareholders' equity amounted to RMB97,320 million, representing an increase of RMB14,212 million or 17.10% from RMB83,108 million as at 31 December 2016.
- Newly signed contracts amounted to RMB604,901 million, representing an increase of RMB102,497 million or 20.40% from RMB502,404 million in 2016.

Note: the percentages of increase or decrease are calculated by 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*

Operating revenue amounted to RMB208,613 million, representing an increase of RMB20,974 million or 11.18% from RMB187,639 million in 2016.

2. *Property Development Business*

Operating revenue amounted to RMB24,914 million, representing an increase of RMB2,408 million or 10.70% from RMB22,506 million in 2016.

3. *Equipment Manufacture Business*

Operating revenue amounted to RMB6,255 million, representing an increase of RMB1,143 million or 22.36% from RMB5,112 million in 2016.

4. *Resource Development Business*

Operating revenue amounted to RMB5,665 million, representing an increase of RMB1,876 million or 49.50% from RMB3,789 million in 2016.

5. *Other Businesses*

Operating revenue amounted to RMB3,952 million, representing a decrease of RMB188 million or -4.53% from RMB4,140 million in 2016.

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

(III) Major Financial Data in 2017 on Quarterly Basis

Unit: RMB '000

	The first quarter (January– March)	The second quarter (April– June)	The third quarter (July– September)	The fourth quarter (October– December)
Operating revenue	44,180,003	56,905,484	49,715,569	93,198,808
Net profit attributable to Shareholders of the Company	1,441,738	1,232,938	874,210	2,512,602
Net profit attributable to Shareholders of the Company after deducting non-recurring profits and losses	1,299,241	1,209,187	800,462	2,158,090
Net cash flow generated from operating activities	<u>-16,853,505</u>	<u>2,653,633</u>	<u>122,022</u>	<u>32,495,697</u>

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-economies 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 shows a short-term stability and sound development, economic recovery process is accelerated. However there will be more challenges in the mid-term, and various unstable and uncertain factors will be encountered in the future. Therefore, the basis for economic rebound is still fragile. The domestic economy enters into a stage of adjustment with stability and slow growth. China's economy has turned to a high quality development stage from rapid growth stage, and is in a stage of overcoming major difficulties during which the developments are changed, economic structure is optimized and the growth momentum is switched, and over-capacity in iron and steel metallurgy, slowdown of rapid investment in infrastructure, standardization of the local government's debt management and strict risks control, etc., 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 business segment

In recent years, the global iron and steel industry has entered into the third stage of deep adjustment. Higher requirements have been set on the iron and steel industry in speeding up the building of a powerful manufacturing country and strengthening the prevention and treatment of environmental pollution. The recovery of the iron and steel industry has pushed the iron and steel industry to speed up the pace of environmental protection transformation, structural adjustment and transformation and upgrading. The major contradictions faced by the iron and steel industry have been converted into the incompatibility between industrial structure and market competitive demands and the incompatibility between the level of green development and demands for ecological environment. Enterprises are faced with new opportunities and challenges due to the unbalanced and uncertain industry development trend.

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 and push forward the integration of internal resources and professional echelon division, in order to continuously increase the competitiveness and influence of the Company in the global iron and steel engineering technology sector. In recent years, while focusing on new production capacity, the Company has paid more attention to the technological transformation of its existing production capacity and 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 contracted value of metallurgical engineering fell below 20% of the total amount of newly signed contracted value by the Company, which shows that the Company successfully completed business transformation and effectively defused the risk associated with metallurgical engineering market.

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

Unlike the traditional metallurgical engineering market, the overall growth of investment in fixed assets slowed down and the competition in the non-steel engineering market is increasingly competitive. The state has successively introduced relevant policies to continuously increase its investment in municipal infrastructure construction. The total market volume of highways and railways will remain at a high level for a period of time. New municipal engineering projects such as urban rail transit, sewage and garbage treatment, subterranean piping system and sponge city are expected to maintain rapid growth. Optimization of industry investment structure, control of investment scale of real estate investment, reasonable layout of infrastructure investment, regulation of PPP projects are the main factors affecting the investment.

As “the main force for fundamental construction and the forerunner of the emerging industries”, the Company has actively responded to the risk of competition in the non-steel engineering markets with open mind and advanced with time, and further adapted to the environmental changes. It has expanded the research and innovation of business models such as PPP model and constantly improved the design and operation of “macro environment, heavyweight clients and mega projects”. It devotes its efforts to developing the non-steel engineering markets such as premium property construction, highways, transport and municipal infrastructure, integrated subterranean piping systems, sponge city, smart city and beautiful countryside by relying on its traditional comparative advantages and core competitiveness in terms of technology, management and capital. 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-growing period of the property industry and the beginning of a mature period of relatively stable growth, the Company will be exposed to various risks including clearing inventories, intensifying industrial competition, lowering profitability and intensifying diversification of regional home prices. With various real estate regulation policies having been successfully introduced since 2017, formation of different property regulations and housing market construction long-effect mechanisms, such as “Protection for Low-end, Support for Middle-end, Market for high-end” is sped up. With the notable acceleration in the establishment of real estate long-effect mechanism, tough policies will still be introduced and tightened in short term, third-tier and fourth-tier cities lack great potential for future development, and banking facilities are continued to be tightened, and it is expected that the real estate market will keep steady in 2018 and different types of cities will continue to be differentiated. Although first-tier cities are still subject to purchasing limitation policy, with the support of strong population absorption capacity and economic level, it is expected that the trading volume of first-tier cities can be kept in high level. The performance of second-tier market is differentiated and such situation will be further exacerbated. Market performances of cities such as Hefei, Wuhan, Zhengzhou and Nanjing may remain stable or show a trend of slight grow. However, for cities such as Dalian, Ningbo, Shenyang and Changchun, due to their higher inventory pressure and the inability to attract more people, their market turnovers remain uncertain. Demands in the third-tier and fourth-tier cities are low and overall inventory level is high, therefore their prospects are not promising.

The Company closely studied its policies and optimized its business model. It adhered to what the Company can do to ensure its steady growth and grasp the rhythm of real estate cycle, adopted policies that were tailored to characteristics of each city, complied to the flow of people and adopted addition and subtraction method of cash flow simultaneously.

(V) Risks associated with financial segment

International and domestic markets are facing more complex financial environment. Affected by the continuous rate hike and shrinking balance by the Federal Reserve, sharp fluctuations in the renminbi against the U.S. dollar, and the first rate hike in 10 years announced by the Bank of England, the global monetary policy is difficult to ease. As stated in the report delivered in the 19th National Congress of China, the future economic growth mode will shift from high speed to high quality, and the objective of the monetary policy of central bank will gradually shift from the “total issue” of steady growth and anti-inflation to the “structural issue” of deleveraging and risk prevention. Maintaining neutral monetary policy in the new era, and strengthening financial supervision will be the trend. Affected by these, the market funds will continue to tighten, and the cost of capital is expected to rise.

The Company needs to continue to optimize the financing structure, prevent capital risks, pay close attention to the changes in exchange rates, reduce risk exposure on foreign exchange, effectively carry out foreign exchange hedging business in a timely manner, and save financial costs and increase utilization efficiency in capital with multi-measures.

(VI) Risks associated with bulk commodity prices

The market price of bulk commodities such as engineering raw materials and metal mineral resources related to the Company’s business will be affected by the international and domestic macro-economic environment and may fluctuate in varying degrees and thus affect the production and operation costs, income and profits of the Company.

In response to the market price of bulk commodities, the Company strengthened the research and forecast on the trends and policies, and made appropriate arrangements for procurement and sales plans. At the same time, the Company will increase process improvement efforts to further improve project output, and strengthen the costs control, reduce energy consumption and take all possible measures to reduce the costs on production, operation and other costs.

(VII) 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. 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 2017, the recovery trend of global economy has continued, while demand for major economies has rebounded and market expectations have been improved. Although the global steel and iron market is still facing certain downside risks, such as the geopolitical instability in certain regions in Europe, the fluctuation of international capital flows and the slowing down of the economic growth in the PRC, the impact of these risks has begun to diminish. In the meantime, certain encouraging developmental trends have emerged, with increasing positive news from developed economies, particularly the growing momentum for economic recovery in the US and euro zones.

Urbanization is the basic driven factor for housing construction engineering market and the transport and municipal infrastructure construction. The urbanization rate in China was up to 58.52% in 2017, representing 1.17 percentage point higher than that at the end of last year. This is substantially the same as the global average level. However, the difference between such level and the average level (i.e. 80%) of the developed countries is very great. There is also a certain difference when compared with the average level (i.e. 60%) of some developing countries, the per capita incomes of which are almost the same as that of China. It is mentioned in the "Thirteenth Five-Year Plan" that in China, the urbanization rate of residential population will be up to 60% and the urbanization rate of household registered population will be up to about 45% in 2020.

According to the report delivered in the 19th National Congress, China will strengthen infrastructure networks for water conservancy, railways, highways, waterways, aviation, pipelines, power grids, information, and logistics. These efforts will provide powerful support for building China's strength in aerospace, cyberspace, and transportation. During the period of the "Thirteenth Five-Year" Plan, China will accelerate the construction of national highway network which consists of 7 expressways starting in Beijing, 11 expressways going from south to north, 18 expressways going from west to east, regional links, parallel routes and connection lines in order to connect the main routes of national highways and push forward the reconstruction and rerouting of old and busy national highways as soon as possible. According to the "National Highway Network Planning", there will be national highways of 26,000 km to be constructed and general national and provincial highways of 100,000 km to be reconstructed and upgraded by 2030. During the period of the "Thirteenth Five-Year" Plan, China will develop an international hub airport and construct three world-class airport clusters respectively in the Beijing-Tianjin-Hebei area and along the Yangtze River Delta and the Pearl River Delta. In the Government Work Report for the past two consecutive years, the annual construction of over 2,000 kilometers of integrated pipeline corridor was listed as the work goal, with an annual investment over RMB200 billion. The long-term construction scale of underground pipeline corridor in Xiong'an New Area will be nearly RMB100 billion; the constructed area of the cities that meet the requirements of sponge cities will be up to 11,000 sq.m., with a market space over RMB1 trillion; the investment in smart city will be over RMB500 billion, which will stir up investment of over a trillion in relevant markets; and the central government will support the establishment of around 6,000 beautiful villages. The emerging industries will show a strong growth momentum under the circumstance of successive decline in the growth rate of fixed assets investment.

The market of environmental engineering and alternative energy has ample room for development with promising prospect. During the "Thirteenth Five-Year" period, the investment in environmental protection will be increasing by over 20% on an ongoing basis, in particular, there will be rapid development in energy technology 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 RMB150 billion.

There was a slowdown in the real estate market and it is expected to have a stable development during the "Thirteenth Five-Year" period. During which, total demand for commodity properties will be approximately 5.3 billion sq.m. with development investment of approximately RMB37.7 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 compound annual growth rate of approximately 15%. The market will be concentrated in steel-structured residential buildings, prefabricated buildings, marine engineering equipment, steel-structured bridges, etc.

Under the interaction due to the adjustment of the influencing factors of the supply and demand sides, the global mining market will continue to maintain a tight balance, and the overall situation is expected to improve as compared to that in 2017. However, the prices of most metal products will remain fluctuating at a high level, and the prices of a few commodities may even experience slight decrease, due to the end of periodical compensatory price rise and the lack of adequate follow-up dynamic support.

(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 quality development with 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 Belt and Road” policy, tapping the huge potential in infrastructure construction across the countries and regions along the belt and road, grasping the changing trend of domestic consumption patterns and the requirements under the energy conservation and environmental protection policy, endeavoring to develop its differentiated business, enhancing the combination of techniques and capital, and endeavoring to be the main force for the national fundamental construction and the implementation of “the Belt and Road” initiative 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 for being the pioneer in the process of national new urbanized construction, especially the idea, design and construction of sponge city, beautiful countryside, smart city and urban piping system.

Long-term adherence to pursuing the path for the quality development with 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. At the same time, by setting a goal of creating optimum engineering in accordance with the requirements of high quality development, the craftsmanship spirit is safeguarded to enhance the fine management level of quality standardization. By creating a set of excellent projects that represents the outstanding construction capabilities of MCC, the Group's quality brand is well-promoted.

(III) Operational plan

The Company expected to record revenue of RMB230 billion in 2017, and actually recorded revenue of RMB244 billion, completing over 100% of the target.

The Company expects to record revenue of RMB258 billion in 2018.

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	243,999,864	219,557,579	11.13
Operating costs	212,052,305	191,369,837	10.81
Selling expenses	1,961,287	1,665,258	17.78
Administrative expenses	13,017,914	10,425,174	24.87
Financial expenses	3,020,031	2,228,707	35.51
Net cash flows from operating activities	18,417,847	18,558,549	-0.76
Net cash flows from investing activities	-18,281,963	-3,191,971	N/A
Net cash flows from financing activities	-2,100,336	-5,597,927	N/A
Research and development expenses	7,563,818	6,077,232	24.46

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 were subject to the combined impact of multiple factors, including the changes in international and domestic macro economies and the state financial and monetary 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 imposed by the State:

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 industry in which the Company was involved and demands of its domestic and overseas markets

The Company's engineering contracting, property development and equipment manufacture businesses were all influenced by the policies of the industry. 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, a nation strengthening strategy focusing on manufacturing industries, 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 and hence influencing the Company's financial position.

Both items 1) and 2) above were the major risk factors that impacted the Company's performance for 2017.

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

- ① Impact from changes in the tax policy

The Company's operating results and financial position were influenced by changes in the state's tax policy through the impact of tax burdens 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 other taxes may undergo some changes following the changes 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 monetary policy

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

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

4) Overseas tax policies and their changes

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

5) Changes in major raw materials prices

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

6) Construction subcontracting expenses

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

7) Operation of subsidiaries and key projects

The Company's Ramu Nico Laterite Mine Project in Papua New Guinea remained loss-making. 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 its financing platforms 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 "Highlight the Theme of Reform and Focus on Core Business", 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. The Company will continue to deepen the design and operation of "macro environment, heavyweight clients and mega projects", through systematic reform and innovation, as well as scientific decision-making to stimulate the Company's vitality and creativity, design and operation and achieved a simple, efficient and effective management and control system. 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 region

Unit: RMB '000

Information 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	208,612,860	185,356,908	11.15	11.18	11.06	Increased by 0.10 percentage points
Property development	24,914,457	18,728,926	24.83	10.70	14.37	Decreased by 2.41 percentage points
Equipment manufacture	6,254,959	5,682,379	9.15	22.36	24.66	Decreased by 1.68 percentage points
Resource development	5,664,790	4,045,439	28.59	49.50	20.68	Increased by 17.06 percentage points

Unit: RMB '000

Information of major business by regions

Regions	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	228,157,505	197,897,459	13.26	10.15	10.28	Decreased by 0.10 percentage points
Other countries/regions	15,842,359	14,154,846	10.65	27.46	18.71	Increased by 6.58 percentage points

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

Description of major business by segment and region

1) 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 currently the major source of income and profits of the Company. The gross profit margins of the engineering contracting business for the year 2017 and 2016 were 11.15% and 11.05%, respectively, with a year-on-year increase of 0.10 percentage point. The increase was mainly due to the fact that the Company proactively built the main platform for centralized control of projects, launched training sessions for project managers, continued to devote more working effort on improving its quality and efficiency, and strictly controlled various unreasonable project expenditures.

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

Unit: RMB'000

Items of revenue	2017		2016		2015	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	48,097,655	23.06	47,719,519	25.43	67,869,750	36.43
Housing construction engineering	93,677,430	44.90	88,041,621	46.92	79,824,172	42.85
Transportation infrastructure	43,856,822	21.02	31,860,213	16.98	18,649,604	10.01
Other engineering	22,980,953	11.02	20,017,337	10.67	19,960,581	10.71
Total engineering contracting	<u>208,612,860</u>	<u>100.00</u>	<u>187,638,690</u>	<u>100.00</u>	<u>186,304,107</u>	<u>100.00</u>

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

In 2017, there were 10,457 projects under construction conducted by way of EPC contract with operating revenue of RMB158.8 billion, of which the major risks were project cost risk and collection risk; and 7,057 completed construction projects under inspection and acceptance with operating revenue of RMB56.0 billion,

of which the major risk was collection risk. Projects that under general financing and construction contracting model were mainly PPP projects, and 149 projects were under construction in 2017 with operating revenue of RMB28.2 billion. In 2016, there were 66 PPP projects under construction with recognized revenue of RMB9.4 billion, of which the major risks were cost risk, collection risk and operation risk incurred throughout the entire life cycle of the projects. While ensuring the pushing forward of production and operation, the Company persistently gives 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 2017 and 2016, the total gross profit margins of the Company's property development business were 24.83% and 27.24%, respectively, with a year-on-year decrease of 2.41 percentage points.

③ Equipment manufacture business

The Company's equipment manufacture business mainly included metallurgical equipment, steel structures and other metal products. For the years of 2017 and 2016, the gross profit margin of the Company's equipment manufacture business were 9.15% and 10.83%, respectively, representing a decrease of 1.68 percentage points as compared with the same period last year.

④ Resource development business

The Company's resource development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司) were mainly engaged in the mining business while 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 2017 and 2016, the gross profit margin of the Company's resource development business were 28.59% and 11.53%, respectively, representing an increase of 17.06 percentage points as compared with the same period last year, which was mainly due to the price of polysilicon and nickel have trended toward stability and started to rise.

2) Explanation on Major Business by Regions

For the years of 2017 and 2016, the Company realized overseas operating revenue of RMB15,842,359,000 and RMB12,429,639,000 respectively. The revenue mainly came from the engineering contracting business including the steel factory project in Ha Tinh, Vietnam, the Kuwait University Town project, property development business in Singapore, and the resource development business including the Ramu Nico Laterite Mine Project in Papua New Guinea, and Saindak Copper-Gold Mine in Pakistan.

(3) Table of analysis on costs

Unit: RMB'000

Situation by segment

Segment	Costs component	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	operating costs	185,356,908	85.28	166,896,342	85.64	11.06
Property development	operating costs	18,728,926	8.62	16,376,237	8.40	14.37
Equipment manufacture	operating costs	5,682,379	2.61	4,558,392	2.34	24.66
Resource development	operating costs	4,045,439	1.86	3,352,201	1.72	20.68

Note: The segment revenue are figures 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 same period of the recent three years are as follows:

Unit: RMB'000

Item of cost	2017		2016		2015	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	98,842,819	53.32	90,463,947	54.20	84,496,775	51.86
Materials expenses	55,006,410	29.68	47,828,129	28.66	50,501,024	30.99
Labour costs	10,142,600	5.47	8,775,212	5.26	8,641,325	5.30
Machinery usage fees	2,959,236	1.60	2,579,720	1.55	2,762,754	1.70
Others	18,405,843	9.93	17,249,334	10.33	16,540,269	10.15
Total engineering costs	<u>185,356,908</u>	<u>100.00</u>	<u>166,896,342</u>	<u>100.00</u>	<u>162,942,147</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 RMB11,507,373 thousand, accounting for 4.72% of the total annual sales. No sales of top five major customers are derived from the sales to related parties.

Unit: RMB'000

Customer's name	Operating revenue	Proportion of the total operating revenue of the Group (%)
Unit 1	3,979,742	1.64
Unit 2	2,091,628	0.86
Unit 3	1,928,627	0.79
Unit 4	1,836,429	0.75
Unit 5	1,670,947	0.68
Total	<u>11,507,373</u>	<u>4.72</u>

The procurement of top five major suppliers amounted to RMB5,738,139 thousand, accounting for 2.71% of the total annual procurement; in particular, the procurement from related parties under the procurement of top five major suppliers amounted to RMB1,548,581 thousand accounting for 0.73% of total annual procurement.

Unit: RMB'000

Supplier's name	Procurement for the current period	Proportion of the total operating costs of the Company (%)
Supplier 1	1,548,581	0.73
Supplier 2	1,460,000	0.69
Supplier 3	1,224,321	0.58
Supplier 4	755,237	0.36
Supplier 5	750,000	0.35
Total	<u><u>5,738,139</u></u>	<u><u>2.71</u></u>

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 2017 and 2016, the Company's selling expenses were RMB1,961,287 thousand and RMB1,665,258 thousand respectively, representing a year-on-year increase of 17.78%.

(2) Administrative expenses

The Company's administrative expenses mainly include employee compensation costs, research and development expenses, depreciation expenses and office expenses. In 2017 and 2016, the Company's administrative expenses were RMB13,017,914 thousand and RMB10,425,174 thousand respectively, representing a year-on-year increase of 24.87%, which was mainly due to the increase in research and development expenses.

(3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in operating business. In 2017 and 2016, the Company's financial expenses were RMB3,020,031 thousand and RMB2,228,707 thousand respectively, representing a year-on-year increase of 35.51%, which was mainly due to the increase in exchange rate losses resulting from the changes in exchange rate.

3. Research and development expenditure

Table of research and development expenditure

Unit: RMB'000

Research and development expenditure for the current period	7,563,818
Total research and development expenditure	7,563,818
Proportion of total research and development expenditure to operating income (%)	<u>3.10</u>

4. Cash flows

The cash flows of the Company are as follows:

Unit: RMB'000

Items	2017	2016
Net cash flows from operating activities	18,417,847	18,558,549
Net cash flows from investing activities	-18,281,963	-3,191,971
Net cash flows from financing activities	<u>-2,100,336</u>	<u>-5,597,927</u>

(1) Operating activities

In 2017 and 2016, the Company's net cash flows generated from operating activities amounted to RMB18,417,847 thousand and RMB18,558,549 thousand respectively, representing a year-on-year decrease of 0.76%. In 2017 and 2016, 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 96.47% and 98.35% 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 2017 and 2016, the respective proportions of such cash outflow with respect to the cash outflow generated from operating activities accounted for 83.35%, 8.25%, 4.29% and 80.93%, 8.70%, 5.12% respectively.

(2) *Investing activities*

In 2017 and 2016, the Company's net cash flows generated from investing activities amounted to RMB-18,281,963 thousand and RMB-3,191,971 thousand respectively. The operating activities of the Company mainly came from engineering contracting and property development business.

The Company's cash inflow generated from investing activities mainly consisted of cash receipts from recovery of investments, investment income and disposal of assets. In 2017 and 2016, the respective proportions of such cash inflow with respect to the cash inflow generated from investing activities accounted for 4.85%, 16.31%, 29.10% and 59.49%, 17.55% and 9.42% 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 2017 and 2016, such cash outflow accounted for 21.39%, 28.25% and 50.30% and 43.42% respectively with respect to the cash outflow generated from investing activities.

(3) *Financing activities*

In 2017 and 2016, the Company's net cash flows generated from financing activities amounted to RMB-2,100,336 thousand and RMB-5,597,927 thousand respectively. A large amount of net cash outflow 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 Reporting Period.

The Company's cash inflow from financing activities mainly consisted of cash receipts from borrowings which accounted for 89.23% and 92.24% respectively of the cash inflow generated from financing activities for the years 2017 and 2016. The Company's cash outflow from financing activities mainly consisted of cash repayments of borrowings and cash payments for distribution of dividends, profits or settlement of interest expenses, accounting for 91.50% and 7.16%, and 91.82% and 6.77% respectively of the cash outflow from financing activities for the years 2017 and 2016.

(II) Analysis on assets and liabilities

1. 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 (%)	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 (%)	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:	322,328,945	77.75	302,774,536	80.21	6.46
Cash and bank Balances	43,593,622	10.52	44,863,390	11.88	-2.83
Accounts receivable	73,495,762	17.73	69,544,642	18.42	5.68
Inventories	118,292,878	28.53	122,191,095	32.37	-3.19
Non-current Assets:	92,236,229	22.25	74,717,068	19.79	23.45
Intangible assets	15,419,183	3.72	14,416,860	3.82	6.95
Total Assets	414,565,174	100.00	377,491,604	100.00	9.82
Current Liabilities:	280,135,184	88.30	256,023,377	86.97	9.42
Short-term borrowings	39,425,855	12.43	49,740,440	16.90	-20.74
Accounts payable	117,498,912	37.04	111,999,308	38.05	4.91
Receipts in advance	43,861,424	13.83	33,161,350	11.26	32.27
Non-current Liabilities:	37,109,509	11.70	38,360,524	13.03	-3.26
Long-term borrowings	23,470,743	7.40	25,038,820	8.51	-6.26
Total Liabilities	317,244,693	100.00	294,383,901	100.00	7.77

(1) Analysis on the structure of assets

Cash and bank balances

As at 31 December 2017 and 31 December 2016, the balances of cash and bank balances of the Company were RMB43,593,622 thousand and RMB44,863,390 thousand, respectively, representing a year-on-year decrease of 2.83%, which was mainly attributable to a decrease in bank deposits.

As at 31 December 2017 and 31 December 2016, the restricted cash and bank balances of the Company were RMB7,129,488 thousand and RMB6,151,479 thousand respectively, which accounted for 16.35% and 13.71% of the cash and bank balances, respectively. The restricted cash and bank balances mainly included the cash deposits of acceptance bill, statutory reserve, guarantee deposits and frozen deposits, etc.

Accounts receivable

As at 31 December 2017 and 31 December 2016, the Company's net accounts receivable were RMB73,495,762 thousand and RMB69,544,642 thousand respectively. Net accounts receivable increased by 5.68%, which was mainly due to the growth of the operating scale and the extension of payment term by property owners. In 2017, the Company achieved an operating income of RMB243,999,864 thousand, representing a year-on-year increase of 11.13%; in keeping the leading position in the market of metallurgical engineering, 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 kind of projects are local governmental departments and large and medium scale enterprises, and therefore, the settlement cycle of such projects are relatively long, which prolonged the recovery cycle of relevant receivables.

The Company always places great emphasis on the safety and completeness of accounts receivable and adopts strong measures to clear up debts, collect each of the receivables timely 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 completed 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 was engaged. As at 31 December 2017 and 31 December 2016, the Company's net inventories were RMB118,292,878 thousand and RMB122,191,095 thousand respectively. The net inventories decreased by 3.19%, which was mainly due to the decrease in inventories in respect of real estate.

Intangible assets

As at 31 December 2017 and 31 December 2016, the aggregated carrying value of the Company's intangible assets were RMB15,419,183 thousand and RMB14,416,860 thousand respectively, representing a year-on-year increase of 6.95%. The Company's intangible assets mainly included land use rights, the right to use the franchise and 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, pledge loans and guaranteed loans from commercial banks and other financial organizations. As at 31 December 2017 and 31 December 2016, the carrying amount of the Company's short-term borrowings were RMB39,425,855 thousand and RMB49,740,440 thousand respectively, with a year-on-year decrease of 20.74%. As at 31 December 2017 and 31 December 2016, the carrying amount of the Company's long-term borrowings were RMB23,470,743 thousand and RMB25,038,820 thousand respectively, with a year-on-year decrease of 6.26%.

Accounts payable

Accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors. As at 31 December 2017 and 31 December 2016, the Company's carrying value of accounts payable were RMB117,498,912 thousand and RMB111,999,308 thousand respectively, representing a year-on-year increase of 4.91%. 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 receipts under construction contracts, reserves for material costs, cost for settled but incomplete works and payments for pre-sale of apartments. As at 31 December 2017 and 31 December 2016, the carrying amount of the Company's receipts in advance were RMB43,861,424 thousand and RMB33,161,350 thousand respectively, representing a year-on-year increase of 32.27%, 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	Professional engineering	Others	Total
Number of projects (<i>Unit</i>)	2,569	534	3,102	852	7,057
Total amount	<u>21,359,177</u>	<u>8,789,008</u>	<u>16,346,579</u>	<u>9,459,893</u>	<u>55,954,657</u>

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (<i>Unit</i>)	6,855	202	7,057
Total amount	<u>54,028,422</u>	<u>1,926,235</u>	<u>55,954,657</u>

2. *Projects under construction during the Reporting Period*

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure construction	Professional engineering	Others	Total
Number of projects (<i>Unit</i>)	3,330	2,508	3,747	872	10,457
Total amount	<u>73,903,421</u>	<u>37,464,633</u>	<u>32,910,116</u>	<u>14,528,824</u>	<u>158,806,994</u>

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (<i>Unit</i>)	10,011	446	10,457
Total amount	<u>143,339,999</u>	<u>15,466,995</u>	<u>158,806,994</u>

3. Overseas projects during the Reporting Period

Unit: RMB'000

Project location	Number of projects (Unit)	Total amount
Asia	460	15,362,914
Africa	119	656,616
South America	40	481,316
Europe	42	180,202
Oceania	18	536,807
North America	15	208,286
Total	694	17,426,141

Note: The above data are data before inter-segment eliminations.

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	Balance of completed and unsettled constructions
Amount	794,523,280	64,625,849	1,753,829	793,577,307	63,817,993

5. Competency for construction projects of the Company

As at the end of the Reporting Period, the Company and its subsidiaries altogether held over 700 qualifications and permits of construction enterprises, covering construction investigation, construction design, construction work, construction supervision, property development etc. The number of subsidiaries with special qualifications for general contracting reached 31, among which 6 subsidiaries held special qualifications for construction project, metallurgical engineering and municipal public project, 5 subsidiaries held special qualifications for construction project and metallurgical engineering, and 5 subsidiaries held comprehensive qualifications for construction design.

In 2017, the Company held two newly added special qualifications for construction project and four newly added special qualification for municipal public project, which laid the foundation of expansion for non-steel market.

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

In 2017, 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 quality control system of the Company, which comprises of three core levels, namely the headquarters, the subsidiaries and the project management department, is operated smoothly. Each of the levels stringently executes the national, industrial and local standards of quality. The Company implemented effective quality control on construction projects by various measures such as promoting self-check by subsidiaries, regional check, special 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. In 2017, the Company had 8 projects (including participation in construction) that won the Luban Award for Construction Project in China (中國建設工程魯班獎), 18 projects (including participation in constructions) won the Prize for National High-quality Construction (國家優質工程獎), 3 projects won Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎). It received 40 High-quality Constructions in the Metallurgical Industry (冶金行業優質工程), and won 29 Awards for Outstanding Construction Survey in the Metallurgical Construction Industry (冶金建設行業優秀工程勘察獎), 103 Awards for Outstanding Construction Design in the Metallurgical Construction Industry (冶金建設行業優秀工程設計獎) and various awards for other industries and local prizes.

In 2017, the Company had no major production accident. The Company persistently adheres to the production safety principle of “Safety First, Prevention Crucial, and Comprehensive Management”, and increases the awareness of the importance of production safety, 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 further optimized and improved the safety responsibility system; stringently performed core responsibilities of training and education on enterprise safety; generally promoted the standardized establishment of safety and civilization of on-site construction with 8 construction projects which won the honorary title of national “Standardized Site of Safety Production of Construction Engineering Project” (建設工程項目施工安全生產標準化工地); 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 amounted to RMB106,189 million, representing a year-on-year increase of 0.78% as compared to the beginning of the period, which better satisfied the capital needs for enterprise development and industrial structure adjustment. Among which, the balances of debt financing and financing by other equity instruments amounted to RMB88,305 million and RMB17,884 million, respectively, which contributed to the further optimization of financing structure; the balance of financing due within one year and the long-term financing balance amounted to RMB57,470 million and RMB30,835 million, respectively.

In May and July 2017, the Company issued offshore senior bonds in the amount of US\$1,000 million in aggregate with a term of three years at the nominal interest rate of 2.95%. It was the first time that MCC issued offshore bonds as the bond guarantor.

(2) *No equity financing by the Company during the Reporting Period*

The Company's equity registration of non-public offering of shares to specific investors on 26 December 2016 was completed on 6 January 2017 (for details, please refer to the announcement of the Company published on 10 January 2017).

(3) *Establishment of Yingtan MCC-CIF Industrial Development Partnership (LP)*

As reviewed and approved by the Board of the Company, MCC, China Credit Trust Co., Ltd., MCC CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司) and CIF (Beijing) Investment Fund Management Co., Ltd. (信銀振華(北京)股權投資基金管理有限公司) jointly established Yingtan MCC-CIF Industrial Development Partnership (LP) on 22 December 2017. The total subscribed contribution is RMB18,000.16 million in cash, among which, the subscribed contribution of MCC, being a limited partner, is RMB8,800 million or 48.8885%; the subscribed contribution of China Credit Trust Co., Ltd., being a limited partner, is RMB9,200 million or 51.1107%; MCC CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司) and CIF (Beijing) Investment Fund Management Co., Ltd. (信銀振華(北京)股權投資基金管理有限公司) are general and executive partners and their subscribed contributions are RMB80 thousand or 0.0004%, respectively.

(4) *Establishment of Zhuhai MCC CCB Investment Management Partnership (LP)*

As reviewed and approved by the Board, MCC Real Estate, CCB Trust Co., Ltd. and MCC International Investment Development Co., Ltd. jointly established Zhuhai MCC CCB Investment Management Partnership (LP). The overall scale amounts to RMB15,000 million, among which, the subscribed contribution of MCC Real Estate, being a limited partner, is RMB7,648.5 million or 50.99%; the subscribed contribution of CCB Trust Co., Ltd., being a limited partner, is RMB7,348.5 million or 48.99%; and the subscribed contribution of MCC International Investment Development Co., Ltd., being a general partner, is RMB3 million or 0.02%.

(IV) Analysis on investment

Overall analysis on external equity investments

Financial assets measured at fair value

Currency: RMB

No.	Stock variety	Stock code	Stock abbreviation	Initial Investment Amount (RMB)	Number of shares held (share)	Carrying amount at the end of the period (RMB)	Percentage in securities investment held at the end of the period (%)	Gain or loss incurred in the reporting period (RMB)
1	Shares	601005	Chongqing Iron and Steel (重慶鋼鐵)	185,263	86,168	185,263	27	0
2	Shares	600787	CMST Development Corp (中儲股份)	498,768	57,528	1,265,616	73	222,058
Total				<u>684,031</u>	<u>/</u>	<u>1,450,879</u>	<u>100</u>	<u>222,058</u>

Equity interests in other listed companies held by the Company

Unit: RMB'000

Stock code	Stock abbreviation	Initial investment cost	Percentage of shareholding at the beginning of the period (%)	Percentage of Shareholding at the end of the period (%)	Carrying amount at the end of the period	Gain or loss incurred in the reporting period	Changes in owners' equity during the reporting period	Account category
601328	Bank of Communications	93,402	0.05	0.04	263,542	6,630	31,657	Available-for-sale financial assets
000709	Hesteel	10,337	0.79	0.79	11,097	153	1,593	Available-for-sale financial assets
600665	Tande	1,122	0.02	0.02	676	13	-165	Available-for-sale financial assets
600117	Xining Special Steel	1,400	0.20	0.20	8,499	-	119	Available-for-sale financial assets
600729	Chongqing Department Store	450	0.11	-	-	-908	2,932	Available-for-sale financial assets
000005	Fountain	420	0.04	0.04	1,545	-	-977	Available-for-sale financial assets
000166	Shenwan Hongyuan	2,000	0.02	-	-	9,838	-11,664	Available-for-sale financial assets
000939	Kaidi Ecological	2,502	1.10	1.10	100,588	1,537	-31,187	Available-for-sale financial assets
600642	Shenergy	188	0.01	0.01	264	10	-2	Available-for-sale financial assets
601005	Chongqing Iron and Steel	206,752	-	1.46	206,752	-	-	Available-for-sale financial assets
Total		<u>318,573</u>	<u>/</u>	<u>/</u>	<u>592,963</u>	<u>17,273</u>	<u>-7,694</u>	<u>/</u>

Equity interests in unlisted financial companies held by the Company

Name of investee	Initial investment Amount (RMB)	Number of shares held (share)	Percentage of shareholding to the company (%)	Carrying amount at the end of the period (RMB)	Gain or loss incurred in the reporting period (RMB)	Change in owners' equity during the reporting period (RMB)	Account category	Source of shares
Changcheng Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	30,000,000	–	0.54	30,000,000	–	–	Available-for-sale financial assets	By acquisition
Hankou Bank Company Limited (漢口銀行股份有限公司)	27,696,000	–	0.74	27,696,000	–	–	Available-for-sale financial assets	By acquisition
Baosteel Group Finance Co., Ltd. (寶鋼集團財務有限責任公司)	17,097,680	–	2.20	17,097,680	–	–	Available-for-sale financial assets	By acquisition
Wuhan Iron & Steel Group Financial Corporation Limited (武漢鋼鐵集團財務有限責任公司)	2,000,000	–	0.13	2,000,000	–	–	Available-for-sale financial assets	By acquisition
Total	<u>76,793,680</u>	<u>–</u>	<u>/</u>	<u>76,793,680</u>	<u>–</u>	<u>–</u>	<u>/</u>	<u>/</u>

VII. CONSOLIDATED AND THE COMPANY'S BALANCE SHEETS

Consolidated Balance Sheet

2017.12.31

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	43,593,622	44,863,390
Financial assets at fair value through profit or loss	151,451	1,044
Bills receivable	20,757,246	16,026,955
Accounts receivable	73,495,762	69,544,642
Prepayments	19,230,005	13,421,058
Interests receivable	22,665	26,666
Dividends receivable	48,257	46,727
Other receivables	41,328,480	31,409,955
Inventories	118,292,878	122,191,095
Non-current assets due within one year	2,171,927	3,745,636
Other current assets	3,236,652	1,497,368
Total Current Assets	322,328,945	302,774,536
Non-current Assets:		
Available-for-sale financial assets	4,410,495	2,665,570
Long-term receivables	23,541,178	11,277,158
Long-term equity investments	8,916,066	5,163,485
Investment properties	3,386,116	2,486,596
Fixed assets	28,603,498	30,037,756
Construction in progress	2,826,218	3,653,172
Materials for construction of fixed assets	64,812	69,074
Intangible assets	15,419,183	14,416,860
Goodwill	164,282	173,058
Long-term prepayments	296,022	249,357
Deferred tax assets	4,585,699	4,358,008
Other non-current assets	22,660	166,974
Total Non-current Assets	92,236,229	74,717,068
TOTAL ASSETS	414,565,174	377,491,604

Consolidated Balance Sheet
2017.12.31

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Liabilities:		
Short-term borrowings	39,425,855	49,740,440
Derivative financial liabilities	–	17,443
Bills payable	22,332,231	17,638,291
Accounts payable	117,498,912	111,999,308
Receipts in advance	43,861,424	33,161,350
Employee benefits payable	1,974,696	1,915,566
Taxes payable	3,428,721	3,110,767
Interests payable	551,884	493,527
Dividends payable	1,057,084	827,426
Other payables	25,223,069	18,681,125
Non-current liabilities due within one year	18,423,908	14,440,253
Other current liabilities	6,357,400	3,997,881
Total Current Liabilities	280,135,184	256,023,377
Non-current Liabilities:		
Long-term borrowings	23,470,743	25,038,820
Bonds payable	7,086,675	6,654,000
Long-term payables	1,099,228	850,280
Long-term employee benefits payable	3,554,213	3,646,673
Special payables	172,170	7,175
Provisions	270,472	568,876
Deferred income	1,271,973	1,382,299
Deferred tax liabilities	184,035	212,401
Total Non-current Liabilities	37,109,509	38,360,524
TOTAL LIABILITIES	317,244,693	294,383,901

Consolidated Balance Sheet
2017.12.31

Items	Closing balance	Opening balance
Shareholders' Equity:		
Share capital	20,723,619	20,723,619
Other equity instruments	17,884,240	9,884,950
Including: Perpetual bond	17,884,240	9,884,950
Capital reserve	22,527,667	22,438,344
Other comprehensive income	5,218	189,057
Special reserve	12,550	12,550
Surplus reserve	1,338,615	1,100,651
Retained earnings	20,007,920	16,203,904
Total shareholders' equity attributable to shareholders of the Company	82,499,829	70,553,075
Non-controlling interests	14,820,652	12,554,628
TOTAL SHAREHOLDERS' EQUITY	97,320,481	83,107,703
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	414,565,174	377,491,604

The Company's Balance Sheet
2017.12.31

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	4,658,892	7,703,977
Accounts receivable	588,374	823,423
Prepayments	234,413	161,552
Interests receivable	1,628,144	2,000,053
Dividends receivable	1,135,205	2,100,649
Other receivables	26,638,723	26,183,580
Inventories	421,130	299,065
Non-current assets due within one year	1,277,037	1,577,037
Other current assets	44	—
Total Current Assets	36,581,962	40,849,336
Non-current Assets:		
Available-for-sale financial assets	231	231
Long-term receivables	4,150,983	2,469,574
Long-term equity investments	85,841,681	79,317,111
Fixed assets	13,005	12,592
Construction in progress	—	8,518
Intangible assets	10,113	9,597
Total Non-current Assets	90,016,013	81,817,623
TOTAL ASSETS	126,597,975	122,666,959
Current Liabilities:		
Short-term borrowings	20,310,515	27,514,934
Accounts payable	865,246	818,728
Receipts in advance	948,899	541,402
Employee benefits payable	10,753	8,974
Taxes payable	58,010	46,848
Interests payable	242,298	238,965
Dividends payable	443,643	168,633
Other payables	13,918,647	11,430,335
Non-current liabilities due within one year	5,997,291	853,755
Total Current Liabilities	42,795,302	41,622,574

The Company's Balance Sheet

Items	Closing balance	Opening balance
Non-current Liabilities:		
Long-term borrowings	1,250,000	5,016,690
Bonds payable	570,000	2,704,000
Long-term payables	378,980	78,980
Long-term employee benefits payable	18,366	18,061
Deferred income	4,411	4,411
Total Non-current Liabilities	2,221,757	7,822,142
TOTAL LIABILITIES	45,017,059	49,444,716
Shareholders' Equity:		
Share capital	20,723,619	20,723,619
Other equity instruments	17,884,240	9,884,950
Including: Perpetual bond	17,884,240	9,884,950
Capital reserve	38,041,092	38,041,092
Other comprehensive income	718	1,465
Special reserve	12,550	12,550
Surplus reserve	1,338,615	1,100,651
Retained earnings	3,580,082	3,457,916
TOTAL SHAREHOLDERS' EQUITY	81,580,916	73,222,243
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	126,597,975	122,666,959

VIII. CONSOLIDATED AND THE COMPANY'S INCOME STATEMENTS

Consolidated Income Statement

For the year ended 31 December 2017

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Total operating revenue	243,999,864	219,557,579
Including: Operating revenue	243,999,864	219,557,579
II. Total operating costs	236,069,186	213,000,156
Including: Operating costs	212,052,305	191,369,837
Taxes and levies	2,109,021	3,288,123
Selling expenses	1,961,287	1,665,258
Administrative expenses	13,017,914	10,425,174
Financial expenses	3,020,031	2,228,707
Impairment losses of assets	3,908,628	4,023,057
Add: Gains (Losses) from changes in fair values	222	(3,215)
Investment income	548,870	440,053
Including: Gains from investments in associates and joint ventures	48,309	327,590
Gains on disposal of assets	99,013	84,968
Other income	200,336	—
III. Operating profit	8,779,119	7,079,229
Add: Non-operating income	438,636	1,172,389
Less: Non-operating expenses	243,069	603,847
IV. Total profit	8,974,686	7,647,771
Less: Income tax expenses	2,262,832	1,678,124

Consolidated Income Statement
For the year ended 31 December 2017

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
V. Net profit	6,711,854	5,969,647
(I) Net profit classified by operating continuity		
Net profit from continuing operations	6,711,854	5,969,647
Net profit from discontinued operations	–	–
(II) Net profit classified by ownership ascription		
Profit or loss attributable to non-controlling interests	650,366	593,789
Net profit attributable to shareholders of the Company	6,061,488	5,375,858
VI. Other comprehensive income, net of income tax	(173,761)	37,249
Other comprehensive income attributable to shareholders of the Company, net of income tax	(183,839)	(3,263)
(I) Items that will not be reclassified subsequently to profit or loss	(157,365)	(4,749)
1. Re-measurement of defined benefit obligations	(157,365)	(4,749)
(II) Items that may be reclassified subsequently to profit or loss	(26,474)	1,486
1. Share of the investee's other comprehensive income that can be subsequently reclassified to profit or loss under equity method	(546)	–
2. Net gain (loss) on revaluation of available-for-sale financial assets	12,762	(33,089)
3. Exchange differences on translating foreign operations	(38,690)	34,575
Other comprehensive income attributable to non-controlling interests, net of income tax	10,078	40,512
VII. Total comprehensive income	6,538,093	6,006,896
Total comprehensive income attributable to shareholders of the Company	5,877,649	5,372,595
Total comprehensive income attributable to non-controlling interests	660,444	634,301
VIII. Earnings per share		
(I) Basic earnings per share (<i>Yuan/share</i>)	0.26	0.25
(II) Diluted earnings per share (<i>Yuan/share</i>)	Not Applicable	Not Applicable

The Company's Income Statement
For the year ended 31 December 2017

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Operating revenue	4,091,867	1,719,540
Less: Operating costs	3,706,520	1,450,301
Taxes and levies	12,853	95,550
Administrative expenses	241,444	195,077
Financial expenses	181,563	400,564
Impairment losses of assets	(37,497)	139,247
Add: Investment income	2,381,864	4,579,045
Including: Income from investments in associates and joint ventures	2,462	2,112
II. Operating profit	2,368,848	4,017,846
Add: Non-operating income	21,498	390
Less: Non-operating expenses	594	38
III. Total profit	2,389,752	4,018,198
Less: Income tax expenses	10,114	404
IV. Net profit	2,379,638	4,017,794
Net profit from continuing operations	2,379,638	4,017,794
Net profit from discontinued operations	–	–
V. Other comprehensive income, net of income tax	(747)	3,570
(I) Items that will not be reclassified subsequently to profit or loss	(747)	3,570
1. Re-measurement of defined benefit obligations	(747)	3,570
VI Total comprehensive income	<u>2,378,891</u>	<u>4,021,364</u>

IX. CONSOLIDATED AND THE COMPANY'S CASH FLOWS STATEMENTS

Consolidated Cash Flow Statement

For the year ended 31 December 2017

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	237,894,018	217,107,580
Receipts of tax refunds	347,587	455,317
Other cash receipts relating to operating activities	8,349,356	3,187,865
Sub-total of cash inflows from operating activities	246,590,961	220,750,762
Cash payments for goods purchased and services received	190,193,057	163,630,769
Cash payments to and on behalf of employees	18,821,926	17,598,948
Payments of various types of taxes	9,786,848	10,353,956
Other cash payments relating to operating activities	9,371,283	10,608,540
Sub-total of cash outflows from operating activities	228,173,114	202,192,213
Net Cash Flows from Operating Activities	18,417,847	18,558,549
II. Cash Flows from Investing Activities:		
Cash receipts from disposals and recovery of investments	38,438	1,785,510
Cash receipts from investment income	129,347	526,629
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	230,743	282,763
Net cash receipts from disposal of subsidiaries and other business units	29,078	33,147
Other cash receipts relating to investing activities	365,362	373,343
Sub-total of cash inflows from investing activities	792,968	3,001,392
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	4,079,368	3,114,962
Cash payments to acquire investments	5,388,055	2,689,128
Other cash payments relating to investing activities	9,607,508	389,273
Sub-total of cash outflows from investing activities	19,074,931	6,193,363
Net Cash Flows from Investing Activities	(18,281,963)	(3,191,971)

Consolidated Cash Flow Statement
For the year ended 31 December 2017

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
III. Cash Flows from Financing Activities:		
Cash receipts from capital contributions	10,239,690	8,155,882
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries	2,240,400	1,982,391
Cash receipts from issue of perpetual bond	7,999,290	–
Cash receipts from borrowings	84,850,314	96,878,532
Sub-total of cash inflows from financing activities	95,090,004	105,034,414
Cash repayments of borrowings	88,931,933	101,586,763
Cash payments for distribution of dividends or profits or settlement of interest expenses	6,957,762	7,489,310
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries	473,312	469,757
Other cash payments relating to financing activities	1,300,645	1,556,268
Sub-total of cash outflows from financing activities	97,190,340	110,632,341
Net Cash Flows from Financing Activities	(2,100,336)	(5,597,927)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(283,325)	206,882
V. Net (Decrease) Increase in Cash and Cash Equivalents	(2,247,777)	9,975,533
Add: Opening balance of Cash and Cash equivalents	38,711,911	28,736,378
VI. Closing Balance of Cash and Cash Equivalents	36,464,134	38,711,911

The Company's Cash Flow Statement
For the year ended 31 December 2017

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	4,737,089	1,876,203
Receipts of tax refunds	1,439	8,722
Other cash receipts relating to operating activities	261,746	328,070
Sub-total of cash inflows from operating activities	5,000,274	2,212,995
Cash payments for goods purchased and services received	3,867,718	1,552,837
Cash payments to and on behalf of employees	145,830	130,136
Payments of various types of taxes	67,752	193,230
Other cash payments relating to operating activities	131,928	112,221
Sub-total of cash outflows from operating activities	4,213,228	1,988,424
Net Cash Flows from Operating Activities	787,046	224,571
II. Cash Flows from Investing Activities:		
Cash receipts from recovery of investments	12,000	204,480
Cash receipts from investment income	4,277,057	2,695,724
Other cash receipts relating to investing activities	236	3,846,870
Sub-total of cash inflows from investing activities	4,289,293	6,747,074
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	7,674	9,787
Cash payments to acquire investments	5,162,330	1,794,302
Other cash payments relating to investing activities	3,004,937	–
Sub-total of cash outflows from investing activities	8,174,941	1,804,089
Net Cash Flows from Investing Activities	(3,885,648)	4,942,985

The Company's Cash Flow Statement
For the year ended 31 December 2017

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	7,999,290	6,173,491
Including: Cash receipts from issue of perpetual bond	7,999,290	–
Cash receipts from borrowings	44,432,363	59,251,989
Other cash receipts relating to financing activities	1,048	–
Sub-total of cash inflows from financing activities	52,432,701	65,425,480
Cash repayments of borrowings	49,174,292	61,992,343
Cash payments for distribution of dividends or profits or settlement of interest expenses	3,181,878	3,650,507
Other cash payments relating to financing activities	–	11,348
Sub-total of cash outflows from financing activities	52,356,170	65,654,198
Net Cash Flows from Financing Activities	76,531	(228,718)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(21,966)	26,117
V. Net (Decrease) Increase in Cash and Cash Equivalents	(3,044,037)	4,964,955
Add: Opening balance of Cash and Cash equivalents	7,692,102	2,727,147
VI. Closing Balance of Cash and Cash Equivalents	4,648,065	7,692,102

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 2017									
Items	Attributable to shareholders of the Company								Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	
I. Closing balance of the preceding 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
Add : Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior years errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II. Opening 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
III. Changes for the year	-	7,999,290	89,323	(183,839)	-	237,964	3,804,016	2,266,024	14,212,778
(I) Total comprehensive income	-	-	-	(183,839)	-	-	6,061,488	660,444	6,538,093
(II) Shareholders' contributions and reduction in capital	-	7,999,290	89,323	-	-	-	-	2,078,892	10,167,505
1. Capital contribution from owners	-	-	-	-	-	-	-	2,240,400	2,240,400
2. Capital contribution from holders of other equity instruments	-	7,999,290	-	-	-	-	-	-	7,999,290
3. Others	-	-	89,323	-	-	-	-	(161,508)	(72,185)
(III) Profit distribution	-	-	-	-	-	237,964	(2,257,472)	(473,312)	(2,492,820)
1. Transfer to surplus reserve	-	-	-	-	-	237,964	(237,964)	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(2,019,508)	(473,312)	(2,492,820)
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	-	-	-	-	2,782,860	-	-	190,952	2,973,812
2. Amount utilized in the current year	-	-	-	-	(2,782,860)	-	-	(190,952)	(2,973,812)
(VI) Others	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current year	20,723,619	17,884,240	22,527,667	5,218	12,550	1,338,615	20,007,920	14,820,652	97,320,481

Consolidated Statement of Changes in Shareholders' Equity

All amounts in RMB '000

For the year ended 31 December 2016									
Items	Attributable to shareholders of the Company								Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	
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

The Company's Statement of Changes in Shareholders' Equity

All amounts in RMB '000

For the year ended 31 December 2017								
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	20,723,619	9,884,950	38,041,092	1,465	12,550	1,100,651	3,457,916	73,222,243
Add : Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior years errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. Opening balance of the current year	20,723,619	9,884,950	38,041,092	1,465	12,550	1,100,651	3,457,916	73,222,243
III. Changes for the year	-	7,999,290	-	(747)	-	237,964	122,166	8,358,673
(I) Total comprehensive income	-	-	-	(747)	-	-	2,379,638	2,378,891
(II) Shareholders' contributions and reduction in capital	-	7,999,290	-	-	-	-	-	7,999,290
1. Capital contribution from owners	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	7,999,290	-	-	-	-	-	7,999,290
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	237,964	(2,257,472)	(2,019,508)
1. Transfer to surplus reserve	-	-	-	-	-	237,964	(237,964)	-
2. Distributions to shareholders	-	-	-	-	-	-	(2,019,508)	(2,019,508)
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>17,884,240</u>	<u>38,041,092</u>	<u>718</u>	<u>12,550</u>	<u>1,338,615</u>	<u>3,580,082</u>	<u>81,580,916</u>

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>

XI. NOTES TO THE CONSOLIDATED 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 (“CBSGC”, formerly named as Baosteel Group Corporation) 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 The Stock Exchange of Hong Kong Ltd. (the “Hong Kong Stock Exchange”) on 24 September 2009. During the course of the issue of A shares and H shares of the Company, CMGC and 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 1,613,619,000 A Shares of the Company (the “Non-Public Issuance”) to certain specific investors on 26 December 2016. Upon completion of the Non-Public Issuance, the share capital of the Company increases to RMB20,723,619,000, 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. As of the date of issuance of these financial statements, changes of business registration of the Strategic Restructuring have not yet been completed. The status of CMGC as controlling shareholder and the SASAC as the ultimate controlling shareholder of the Company does not change before or after the Strategic Restructuring.

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 29 March 2018.

II. Significant Accounting Policies and Accounting Estimates

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).

Statement of compliance

These financial statements are in compliance with the CASBE to truly and completely reflect consolidated and the Company's financial position as at 31 December 2017 and consolidated and the Company's operating results and cash flows for the year then ended.

Accounting period

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

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	21,757	24,201
RMB	10,884	11,908
USD	2,887	1,727
EUR	190	137
AUD	329	99
HKD	151	172
Others	7,316	10,158
Bank deposits	34,846,002	36,613,768
RMB	27,588,385	30,036,304
USD	4,681,008	5,042,544
EUR	90,451	53,966
AUD	267,794	268,048
HKD	50,997	35,168
Others	2,167,367	1,177,738

Items	Closing balance	Opening balance
Other cash and bank balances	8,725,863	8,225,421
RMB	8,635,986	8,118,234
USD	47,600	57,803
EUR	3,180	4,497
AUD	1,528	3,010
Others	37,569	41,877
Total	<u>43,593,622</u>	<u>44,863,390</u>
Including: Total amount of deposits abroad	<u>3,068,056</u>	<u>2,452,056</u>

Bills receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Bank acceptance bills	10,442,605	4,775,354
Commercial acceptance bills	10,314,641	11,251,601
Total	<u>20,757,246</u>	<u>16,026,955</u>

Accounts receivable

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

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	47,995,543	44,974,143
1 to 2 years	13,237,639	15,301,715
2 to 3 years	8,988,947	8,954,013
3 to 4 years	6,260,796	5,516,862
4 to 5 years	4,523,345	3,730,131
Over 5 years	5,695,711	3,201,818
Total book value	86,701,981	81,678,682
Less: provisions for bad debts	13,206,219	12,134,040
Carrying amount	<u>73,495,762</u>	<u>69,544,642</u>

(2) *Accounts receivable disclosed by category*

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually	6,224,365	7.18	2,736,872	43.97	3,487,493	6,313,520	7.73	2,431,835	38.52	3,881,685
Subject to provision by portfolios of credit risk characteristics	78,362,374	/	9,169,158	/	69,193,216	73,493,850	/	8,413,587	/	65,080,263
Group1	54,333,093	62.67	9,169,158	16.88	45,163,935	54,723,925	67.00	8,413,587	15.37	46,310,338
Group2	24,029,281	27.71	-	-	24,029,281	18,769,925	22.98	-	-	18,769,925
Accounts receivable which are individually insignificant but subject to provision individually	2,115,242	2.44	1,300,189	61.47	815,053	1,871,312	2.29	1,288,618	68.86	582,694
Total	<u>86,701,981</u>	<u>/</u>	<u>13,206,219</u>	<u>/</u>	<u>73,495,762</u>	<u>81,678,682</u>	<u>/</u>	<u>12,134,040</u>	<u>/</u>	<u>69,544,642</u>

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	13,979,686	72.69	7,764,242	57.85
1 to 2 years	1,882,294	9.79	2,677,573	19.95
2 to 3 years	1,690,127	8.79	1,268,474	9.45
Over 3 years	1,677,898	8.73	1,710,769	12.75
Total	<u>19,230,005</u>	<u>100.00</u>	<u>13,421,058</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	29,020,755	18,996,123
1 to 2 years	5,223,524	8,259,895
2 to 3 years	6,415,330	3,787,880
3 to 4 years	2,307,413	1,627,409
4 to 5 years	1,211,934	741,260
Over 5 years	1,241,085	995,427
Total book value	45,420,041	34,407,994
Less: provisions for bad debts	4,091,561	2,998,039
Carrying amount	41,328,480	31,409,955

(2) Other receivables disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually	4,212,646	9.27	1,742,962	41.37	2,469,684	2,544,423	7.39	993,833	39.06	1,550,590
Subject to provision by portfolios of credit risk characteristics	40,382,380	/	1,923,181	/	38,459,199	31,001,476	/	1,556,909	/	29,444,567
Group 1	8,496,091	18.71	1,923,181	22.64	6,572,910	6,303,731	18.32	1,556,909	24.70	4,746,822
Group 2	31,886,289	70.20	-	-	31,886,289	24,697,745	71.78	-	-	24,697,745
Other receivables which are individually insignificant but subject to provision individually	825,015	1.82	425,418	51.56	399,597	862,095	2.51	447,297	51.88	414,798
Total	45,420,041	/	4,091,561	/	41,328,480	34,407,994	/	2,998,039	/	31,409,955

(3) *Other receivables categorised by nature*

All amounts in RMB'000

Nature of other receivable	Closing balance	Opening balance
Guarantee deposits	21,056,030	20,950,115
Loan receivables from related parties and third parties	16,762,523	5,575,828
Advance to employees	392,759	605,241
Receivables on disposal of investments	3,680,585	3,496,106
Others	3,528,144	3,780,704
Total	45,420,041	34,407,994

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	2,721,005	54,582	2,666,423	2,108,675	42,985	2,065,690
Materials procurement	143,415	-	143,415	82,972	-	82,972
Outsourced processing materials	21,023	-	21,023	73,396	-	73,396
Work in progress	2,352,402	111,640	2,240,762	2,330,806	7,689	2,323,117
Finished goods	2,234,468	145,892	2,088,576	2,219,413	130,692	2,088,721
Other materials	562,548	8,231	554,317	433,515	8,440	425,075
Gross amount due from contract customers	65,571,822	1,753,829	63,817,993	63,020,495	1,597,993	61,422,502
Properties under development	36,134,641	111,106	36,023,535	43,817,341	188,860	43,628,481
Completed properties held for sale	10,976,740	239,906	10,736,834	10,150,430	69,289	10,081,141
Total	120,718,064	2,425,186	118,292,878	124,237,043	2,045,948	122,191,095

(2) *Provision for impairment*

All amounts in RMB'000

Items	Opening balance	Increase		Decrease			Closing balance
		Provision	Others	Reversals	Write-offs	Others	
Raw materials	42,985	12,154	-	-	557	-	54,582
Work in progress	7,689	108,692	-	-	4,741	-	111,640
Finished goods	130,692	103,748	-	-	88,548	-	145,892
Other materials	8,440	3	-	212	-	-	8,231
Gross amount due from contract customers	1,597,993	161,320	-	-	5,484	-	1,753,829
Properties under development	188,860	-	-	-	-	77,754	111,106
Completed properties held for sale	69,289	178,053	77,754	5,612	49,221	30,357	239,906
Total	2,045,948	563,970	77,754	5,824	148,551	108,111	2,425,186

(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	794,523,280
Recognized profits to date	64,625,849
Less: Estimated loss	1,753,829
Accumulated settlements	793,577,307
Gross amount due from contract customers	63,817,993

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, including six production lines in total, 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 an audit performed 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 2017, 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 2017, 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	15,847,773	959,733	14,888,040	12,660,112	231,373	12,428,739	4.35%–4.90%
Loans to related parties and third parties	8,600,229	–	8,600,229	425,290	–	425,290	
Receivables on disposal of equity investments	333,485	–	333,485	333,485	–	333,485	
Others	1,891,351	–	1,891,351	1,835,280	–	1,835,280	
Total	<u>26,672,838</u>	<u>959,733</u>	<u>25,713,105</u>	<u>15,254,167</u>	<u>231,373</u>	<u>15,022,794</u>	/
Including: Long term receivables due within one year	2,183,552	11,625	2,171,927	3,749,393	3,757	3,745,636	/
Long term receivables due after one year	<u>24,489,286</u>	<u>948,108</u>	<u>23,541,178</u>	<u>11,504,774</u>	<u>227,616</u>	<u>11,277,158</u>	/

Bills payable

All amounts in RMB'000

Category	Closing balance	Opening balance
Bank acceptance bills	20,709,890	15,387,799
Commercial acceptance bills	<u>1,622,341</u>	<u>2,250,492</u>
Total	<u>22,332,231</u>	<u>17,638,291</u>

Accounts payable

(1) Accounts payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	81,184,153	75,902,867
Purchases	28,871,705	28,330,653
Design fees	303,329	292,060
Labor fees	5,693,111	6,507,948
Retention money	692,057	465,114
Others	754,557	500,666
Total	<u>117,498,912</u>	<u>111,999,308</u>

(2) Aging analysis of accounts payable

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	82,949,952	78,391,900
1 to 2 years	17,862,894	17,055,580
2 to 3 years	6,472,412	7,311,159
Over 3 years	10,213,654	9,240,669
Total	<u>117,498,912</u>	<u>111,999,308</u>

Receipts in advance

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	12,717,055	9,594,322
Sales proceeds	12,678,645	11,570,928
Design fees	997,831	575,721
Labor fees	86,051	48,825
Gross amounts due to contract customers	17,118,278	11,165,516
Others	263,564	206,038
Total	<u>43,861,424</u>	<u>33,161,350</u>

Dividends payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Dividend declared on perpetual bonds classified as equity instrument	441,974	168,633
Other dividends	615,110	658,793
Total	1,057,084	827,426

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	243,016,757	211,525,460	218,300,773	190,430,766
Other business	983,107	526,845	1,256,806	939,071
Total	243,999,864	212,052,305	219,557,579	191,369,837

Taxes and levies

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Business tax	142,710	1,431,837
City construction and maintenance tax	308,658	237,345
Education surcharges	147,622	122,416
Land appreciation tax	787,604	928,968
Property tax	194,868	146,895
Land use tax	128,639	129,934
Stamp duty	146,132	74,360
Others	252,788	216,368
Total	2,109,021	3,288,123

Selling expenses*All amounts in RMB'000*

Items	Amount for the current year	Amount for the prior year
Packing charges	3,925	3,824
Employee compensation costs	767,903	680,208
Depreciation expenses	17,690	16,035
Travelling expenses	210,403	160,049
Office expenses	139,701	117,733
Transportation expenses	169,256	126,357
Advertising and sales service expenses	478,194	423,245
Others	174,215	137,807
Total	1,961,287	1,665,258

Administrative expenses*All amounts in RMB'000*

Items	Amount for the current year	Amount for the prior year
Employee compensation costs	4,883,601	4,318,547
Depreciation expenses	500,258	610,056
Travelling expenses	360,556	311,700
Office expenses	661,236	560,291
Lease rentals	139,547	139,843
Research and development expenses	5,336,045	3,309,797
Repairs and maintenance expenses	165,026	170,662
Amortization of intangible assets	181,083	185,366
Consulting expenses	239,731	193,882
Others	550,831	625,030
Total	13,017,914	10,425,174

Financial expenses*All amounts in RMB'000*

Items	Amount for the current year	Amount for the prior year
Interest expenses	4,882,497	5,367,845
Less: Capitalized interests	(1,726,262)	(1,870,441)
Less: Interest income	(1,001,059)	(1,134,547)
Exchange losses(gains)	385,358	(488,497)
Bank charges	214,680	165,218
Others	264,817	189,129
Total	3,020,031	2,228,707

Impairment losses on assets*All amounts in RMB'000*

Items	Amount for the current year	Amount for the prior year
1. Bad debt provision	2,931,894	3,389,780
Including: Accounts receivable bad debts	1,159,365	2,701,199
Other receivables bad debts	1,044,169	597,165
Long-term receivables bad debts	728,360	91,416
2. Impairment of inventories	558,146	590,020
3. Impairment of available-for-sale financial assets	20,000	4,458
4. Impairment of long-term equity investment	64,890	–
5. Impairment of fixed assets	321,101	34,888
6. Impairment of construction in progress	2,211	3,520
7. Impairment of intangible assets	13,957	4,783
8. Impairment of goodwill	1,589	675
9. Others	(5,160)	(5,067)
Total	3,908,628	4,023,057

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	(90,614)	(119,117)
Investment income on disposal of long-term equity investments	530,896	508,589
Investment income on disposal of financial assets and financial liabilities at FVTPL	29,603	14,360
Investment income from holding available-for-sale financial assets	68,508	38,814
Investment income on disposal of available-for-sale financial assets	14,107	1,991
Others	(3,630)	(4,584)
Total	<u>548,870</u>	<u>440,053</u>

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
Income from penalty	57,000	130,178	57,000
Gains on inventory taking	182	10	182
Government grants irrelevant to ordinary courses	167,255	707,110	167,255
Approved unpayable balances	76,571	27,431	76,571
Difference between combination costs and shares of the fair value of net realizable assets of the combined entity arising from business combination not involving enterprises under common control	599	–	599
Others	<u>137,029</u>	<u>307,660</u>	<u>137,029</u>
Total	<u>438,636</u>	<u>1,172,389</u>	<u>438,636</u>

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
Non-recurring losses	1,713	381,204	1,713
Fines and surcharges for overdue payments	53,295	30,772	53,295
Compensation and default payments	70,237	38,578	70,237
Losses on written-off of fixed assets	2,976	90	2,976
Others	114,848	153,203	114,848
Total	<u>243,069</u>	<u>603,847</u>	<u>243,069</u>

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	2,498,985	2,400,380
Deferred tax expenses	<u>(236,153)</u>	<u>(722,256)</u>
Total	<u>2,262,832</u>	<u>1,678,124</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	8,974,686	7,647,771
Income tax expenses calculated at the statutory tax rate (25%)	2,243,672	1,911,943
Effect of difference between applicable tax rate and statutory tax rate	(474,177)	(547,014)
Income not subject to tax	(156,524)	(134,524)
Expenses not deductible for tax purposes	168,532	265,532
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	(214,134)	(423,218)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	866,915	1,046,405
Others	(171,452)	(441,000)
Income tax expense	<u>2,262,832</u>	<u>1,678,124</u>

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

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

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

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	(161,001)	(4,938)
Less: Income tax effects on re-measurement of defined benefit obligations	<u>383</u>	<u>2,008</u>
Subtotal	<u>(161,384)</u>	<u>(6,946)</u>
(II) Items that may be reclassified subsequently to profit or loss		
1. Changes in fair value of available-for-sale financial assets	(10,325)	(41,875)
Less: Amount included in other comprehensive income in prior years that is transferred to profit or loss for the current year	(2,631)	3,705
Less: Income tax effects on available-for-sale financial assets	(20,770)	(11,143)
Subtotal	<u>13,076</u>	<u>(34,437)</u>
2. Share of the investee's other comprehensive income under equity method	(644)	–
Less: Income tax effects on share of the investee's other comprehensive income under equity method	<u>–</u>	<u>–</u>
Subtotal	<u>(644)</u>	<u>–</u>
3. Exchange differences on translating foreign operations	(31,132)	73,948
Less: 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	<u>(6,323)</u>	<u>(4,684)</u>
Subtotal	<u>(24,809)</u>	<u>78,632</u>
Total	<u><u>(173,761)</u></u>	<u><u>37,249</u></u>

IV. Events After the Balance Sheet Date

Appropriation of profit after the balance sheet date

According to the decision of the thirty-sixth meeting of the second term of the Board of Directors of the Company, the Company proposed to distribute cash dividend of RMB0.68 (inclusive of tax) for every 10 shares held by the shareholders, which amounted to RMB1,409,206,000. The total number of shares of the Company was 20,723,620,000 as at 31 December 2017. The dividend distribution is subject to the approval by the shareholders at the upcoming annual Shareholders meeting.

V. Other Significant Items

1. Segment information

(1) Accounting policies of the segment

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

Operating segment is a component of the Group which 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 2017 and as at 31 December 2017

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	208,612,860	24,914,457	6,254,959	5,664,790	3,952,305	-	5,399,507	243,999,864
Including: Revenue from external customers	205,076,221	24,793,796	5,516,361	5,655,817	2,957,669	-	-	243,999,864
Revenue between segments	3,536,639	120,661	738,598	8,973	994,636	-	5,399,507	-
Operating costs	185,356,908	18,728,926	5,682,379	4,045,439	3,527,529	-	5,288,876	212,052,305
Including: External costs	181,878,461	18,626,995	4,958,283	4,038,154	2,550,412	-	-	212,052,305
Costs between segments	3,478,447	101,931	724,096	7,285	977,117	-	5,288,876	-
Operating profit/(loss)	5,530,838	3,576,281	(676,279)	234,625	421,566	(241,444)	66,468	8,779,119
Including: Interest income	345,314	205,402	33,077	13,602	933,063	-	529,399	1,001,059
Interest expenses	1,996,373	321,524	130,007	451,732	785,998	-	529,399	3,156,235
Investment income from associates and joint ventures	31,250	16,625	-	-	434	-	-	48,309
Non-operating income	292,394	69,409	64,390	6,121	6,322	-	-	438,636
Non-operating expenses	99,699	70,744	49,237	21,774	1,615	-	-	243,069
Total profit/(loss)	5,723,533	3,574,946	(661,126)	218,972	426,273	(241,444)	66,468	8,974,686
Income tax expense	1,026,254	1,048,190	27,566	1,626	159,196	-	-	2,262,832
Net profit/(loss)	4,697,279	2,526,756	(688,692)	217,346	267,077	(241,444)	66,468	6,711,854
Assets	299,848,111	110,275,661	14,539,636	18,686,140	38,579,860	4,585,699	71,949,933	414,565,174
Including: Long-term equity investments in associates and joint ventures	8,091,504	813,849	-	65	10,648	-	-	8,916,066
Non-current assets	33,162,648	4,164,166	4,861,653	13,191,863	16,929,980	-	(12,611,453)	59,698,857
Liabilities	242,976,432	80,222,318	10,749,263	19,392,409	33,539,731	184,035	(69,819,495)	317,244,693
Depreciation and amortization expenses	1,594,650	95,689	328,704	869,749	106,682	-	-	2,995,474
Assets impairment losses	2,634,007	664,732	451,906	151,109	6,874	-	-	3,908,628
Increase in other non-current assets other than long-term equity investments	3,589,517	892,890	137,815	298,336	59,034	-	-	4,977,592

(b) 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)	4,859,075	3,755,220	(543,479)	(952,373)	198,285	(195,077)	42,422	7,079,229
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	822,175	216,134	55,952	48,841	29,287	–	–	1,172,389
Non-operating expenses	550,108	15,278	20,252	2,484	15,725	–	–	603,847
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	<u>2,260,831</u>	<u>197,626</u>	<u>162,766</u>	<u>406,076</u>	<u>153,591</u>	<u>–</u>	<u>–</u>	<u>3,180,890</u>

(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	228,157,505	207,127,940
Other countries/regions	15,842,359	12,429,639
Total	<u>243,999,864</u>	<u>219,557,579</u>

All amounts in RMB'000

	Closing balance	Opening balance
Non-current assets		
China	48,176,290	42,449,490
Other countries/regions	11,522,567	13,966,842
Total	<u>59,698,857</u>	<u>56,416,332</u>

- (b) The dependency on major customers

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

Earnings per share

- (1) *When calculating earnings per share, net profit for the current period 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	6,061,488	5,375,858
Including: Net profit from continuing operations	6,061,488	5,375,858
Less: Net profit belong to the perpetual bond holders	776,091	501,373
Net profit for the current year attributable to ordinary shareholders	<u>5,285,397</u>	<u>4,874,485</u>

- (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	20,723,619	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>20,723,619</u>	<u>19,118,818</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	0.26	0.25
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.26	0.25
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 the Company in the audited consolidated statement of MCC in 2017 amounted to RMB6,061,488 thousand and the undistributed profit of MCC headquarters amounted to RMB3,580,082 thousand. Based on the total share capital of 20,723.62 million shares, the Company proposed to distribute to all shareholders a cash dividend of RMB0.68 (tax inclusive) for every 10 shares and the total cash dividend is RMB1,409,206 thousand, the remaining undistributed profit of RMB2,170,876 thousand will be used to increase investments in subsidiaries and rolled over to the coming year for distribution. The total cash dividend proposed by the plan accounts for 23.25% of the net profit attributable to the Shareholders of the Company in the consolidated statement of MCC in 2017. 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 2018. The Company will publish further announcement(s) regarding the details of arrangement for distribution of dividends to Shareholders.

XIII. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

(I) Table of changes in ordinary shares

1. Table of changes in ordinary shares

On 6 January 2017, the issue targets of the Company under the non-public issuance have completed equity registration. The changes in shares are listed as below:

Unit: share

	Before change		Change (+/-)					After change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Capital reserve transferred to shares	Others	Subtotal	Number	Percentage (%)
I. Shares subject to selling restrictions	0	0	1,613,619,170	0	0	0	1,613,619,170	1,613,619,170	7.79
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. Shares owned by state-owned legal person	0	0	24,762,154	0	0	0	24,762,154	24,762,154	0.12
3. Other domestically-owned shares	0	0	1,588,857,016	0	0	0	1,588,857,016	1,588,857,016	7.67
Including: Shares held by domestic non-state-owned legal person	0	0	1,588,857,016	0	0	0	1,588,857,016	1,588,857,016	7.67
Shares held by domestic natural person	0	0	0	0	0	0	0	0	0
4. Foreign shareholding	0	0	0	0	0	0	0	0	0
Including: Shares held by overseas legal person	0	0	0	0	0	0	0	0	0
Shares held by overseas natural person	0	0	0	0	0	0	0	0	0

	Before change		Change (+/-)					After change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Capital reserve transferred to shares	Others	Subtotal	Number	Percentage (%)
II. Tradable shares not subject to selling restrictions	19,110,000,000	100.00	0	0	0	0	0	19,110,000,000	92.21
1. RMB-denominated ordinary shares	16,239,000,000	84.98	0	0	0	0	0	16,239,000,000	78.36
2. Domestically-listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas-listed foreign shares	2,871,000,000	15.02	0	0	0	0	0	2,871,000,000	13.85
4. Others	0	0	0	0	0	0	0	0	0
III. Total number of ordinary shares	19,110,000,000	/	1,613,619,170	0	0	0	1,613,619,170	20,723,619,170	/

On 8 January 2018, the selling restrictions on the shares subscribed by the issue targets under the non-public issuance of the Company were released and the shares were listed for trading. The changes are listed below:

Unit: share

	Before change		Change (+/-)					After change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Capital reserve transferred to shares	Others	Subtotal	Number	Percentage (%)
I. Shares subject to selling restrictions	1,613,619,170	7.79	0	0	0	-1,613,619,170	-1,613,619,170	0	0
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. Shares owned by state-owned legal person	24,762,154	0.12	0	0	0	-24,762,154	-24,762,154	0	0
3. Other domestically-owned shares	1,588,857,016	7.67	0	0	0	-1,588,857,016	-1,588,857,016	0	0
Including: Shares held by domestic non-state-owned legal person	1,588,857,016	7.67	0	0	0	-1,588,857,016	-1,588,857,016	0	0
shares held by domestic natural person	0	0	0	0	0	0	0	0	0
4. Foreign shareholding	0	0	0	0	0	0	0	0	0
Including: Shares held by overseas legal person	0	0	0	0	0	0	0	0	0
Shares held by overseas natural person	0	0	0	0	0	0	0	0	0
II. Tradable shares not subject to selling restrictions	19,110,000,000	92.21	0	0	0	1,613,619,170	1,613,619,170	20,723,619,170	100.00
1. RMB-denominated ordinary shares	16,239,000,000	78.36	0	0	0	1,613,619,170	1,613,619,170	17,852,619,170	86.15
2. Domestically-listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas-listed foreign shares	2,871,000,000	13.85	0	0	0	0	0	2,871,000,000	13.85
4. Others	0	0	0	0	0	0	0	0	0
III. Total number of shares	20,723,619,170	/	0	0	0	0	0	20,723,619,170	/

2. Explanation on the changes in ordinary shares

The Company carried out the non-public issuance of RMB-denominated ordinary shares (A Shares) with a nominal value of RMB1 each to specific investors on 26 December 2016. The Company completed the procedures for the registration of trusteeship regarding the non-public issuance of A Shares on 6 January 2017, with the issuance number of 1,613,619,170 shares at the issue price of RMB3.86 per share, the total number of shares upon the completion of the registration amounted to 20,723,619,170 shares and the net proceeds raised amounted to RMB6,173 million. The shares subscribed by the issue targets under the non-public issuance of the Company were listed for trading on 8 January 2018 (as 6 January 2018 was a non-trading day, the listing date was postponed to the first trading day thereafter). The number of restricted shares listed for trading amounted to 1,613,619,170 shares.

(II) Changes in shares subject to selling restrictions

Unit: share

Name of Shareholder	Number of shares subject to selling restrictions at the beginning of the year	Number of shares released from selling restrictions during the year	Increased number of shares subject to selling restrictions during the year	Number of shares subject to selling restrictions at the end of the year	Reason for selling restrictions	Date of shares released from selling restrictions
Caitong Fund Management Co., Ltd. (財通基金管理有限公司)	0	0	524,286,787	524,286,787	Non-public issuance	8 January 2018
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	0	0	181,345,336	181,345,336	Non-public issuance	8 January 2018
Penghua Asset Management Co., Ltd. (鵬華資產管理有限公司)	0	0	161,580,310	161,580,310	Non-public issuance	8 January 2018
Lion Fund Management Co., Ltd. (諾安基金管理有限公司)	0	0	166,581,968	166,581,968	Non-public issuance	8 January 2018
CCB Principal Asset Management Co., Ltd. (建信基金管理有限責任公司)	0	0	173,901,450	173,901,450	Non-public issuance	8 January 2018
China Hongxin Securities Co., Ltd. (宏信證券有限責任公司)	0	0	161,404,041	161,404,041	Non-public issuance	8 January 2018
Huatai Asset Management Company Ltd. (華泰資產管理有限公司)	0	0	219,757,124	219,757,124	Non-public issuance	8 January 2018
China State-owned Enterprises Restructuring Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司)	0	0	24,762,154	24,762,154	Non-public issuance	8 January 2018
Total	0	0	1,613,619,170	1,613,619,170	/	/

Note: As 6 January 2018 was a non-trading day, the date of actual release of selling restrictions was postponed to 8 January 2018.

(III) Issuance and Listing of Securities

1. Issuance of securities for 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
Ordinary Share A shares	2016-12-26	3.86	1,613,619,170	2017-1-6	1,613,619,170	-

Explanation on the issuance of securities for the Reporting Period (separate explanation to provide for bonds bearing different interest rates within the renewal period):

Use of Proceeds from the Non-public Issuance of A Shares

Pursuant to the approval 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 Company started the non-public issuance of RMB-denominated 1,613,619,170 A Shares with a nominal value of RMB1 each to specific investors on 26 December 2016, at the issue price of RMB3.86 per share. On 30 December 2016, the Company received the proceeds raised from the non-public issuance of A Shares paid by specific investors with a net amount of RMB6,173 million.

The Company utilized the proceeds raised in strict accordance with the disclosure of the prospectus. In order to enhance the efficiency of the use of proceeds raised from the non-public issuance of A shares, in March 2017, at the 29th meeting of the second session of the Board and the 14th meeting of the second session of the Supervisory Committee of the Company, the Resolution on Investment Project Invested with Proceeds Raised by way of Private Placement 《關於定向增發募集資金投入募投項目的議案》 was successively considered and approved, and the substitution of self-raised funds previously invested in investment projects with the proceeds of RMB2,059 million from non-public issuance and the use of idle raised funds from non-public issuance to temporarily replenish liquidity for a term of not more than one year with total amount of not more than RMB785 million were agreed. As of 31 December 2017, the accumulated amount of proceeds used by the Company in this year was RMB4,750 million.

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

The issuance will have a positive impact on the financial condition of the Company. Upon completion of the issuance, the total assets and net assets of the Company will increase accordingly, and the asset-liability ratio will decrease accordingly. More sufficient working capital will help reduce financial risks and enhance solvency, hence improving the overall competitiveness of the Company.

Note: For details of the changes in total number of ordinary shares and Shareholder structures, please refer to the Changes in the Ordinary Share Capital.

(IV) 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 (<i>Shareholder</i>)	432,289
Total number of ordinary Shareholders of the Company as at 28 February 2018 (<i>Shareholder</i>)	436,062
Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period (<i>Shareholder</i>)	0
Total number of shareholders of preferred shares whose voting rights have been restored at the end of last month prior to the date on which the annual report shall be disclosed (<i>Shareholder</i>)	0

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

Unit: Share

Name of Shareholder (full name)	Shareholding of the top 10 Shareholders						
	Change during the reporting period	Number of Shares held at the end of the period	Percentage (%)	Number of Shares subject to selling restrictions	Pledged or frozen		Nature of Shareholder
					Status of Shares	Number	
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	0	12,265,108,500	59.18	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (香港中央結算(代理人)有限公司) ⁽²⁾	717,000	2,842,482,000	13.72	0	Nil	0	Others
China Securities Finance Corporation Limited (中國證券金融股份有限 公司)	607,033,538	912,097,948	4.40	0	Nil	0	State-owned legal person
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	185,220,207	0.89	185,220,207	Nil	0	Others
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有 限公司)	181,345,336	181,345,336	0.88	181,345,336	Nil	0	Others
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	161,580,310	0.78	161,580,310	Nil	0	Others
CCB Principal Asset – ICBC – Shaanxi International Trust – Shaanxi 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	161,404,041	0.78	161,404,041	Nil	0	Others
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	161,404,041	0.78	161,404,041	Nil	0	Others
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	161,401,139	0.78	161,401,139	Nil	0	Others
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	90,087,800	0.43	0	Nil	0	State-owned legal person

Shareholding of top 10 Shareholders not subject to selling restrictions

Unit: Share

Name of Shareholder	Number of tradable shares held not subject to selling restrictions	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)	2,842,482,000	Overseas-listed foreign shares	2,842,482,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	912,097,948	RMB-denominated ordinary shares	912,097,948
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
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Assets Management Scheme(博時基金－農業銀行－博時中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
E-Fund – Agricultural Bank of China – E-Fund CSI Financial Assets Management Scheme (易方達基金－農業銀行－易方達中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
Da Cheng Fund – Agricultural Bank of China – Da Cheng CSI Financial Assets Management Scheme (大成基金－農業銀行－大成中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Assets Management Scheme (嘉實基金－農業銀行－嘉實中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
GF Fund – Agricultural Bank of China – GF CSI Financial Assets Management Scheme (廣發基金－農業銀行－廣發中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
Lombarda China Fund – Agricultural Bank of China – Lombarda China CSI Financial Assets Management Scheme (中歐基金－農業銀行－中歐中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
China Asset Management – Agricultural Bank of China – Huaxia CSI Financial Assets Management Scheme (華夏基金－農業銀行－華夏中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Assets Management Scheme (銀華基金－農業銀行－銀華中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300

Name of Shareholder	Number of tradable shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
CSAM – Agricultural Bank of China – CSAM CSI Financial Assets Management Scheme (南方基金–農業銀行–南方中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Assets Management Scheme (工銀瑞信基金–農業銀行–工銀瑞信中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
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		
Explanations on the shareholders of preferred shares whose voting rights have been restored and the number of Shares held	Not Applicable		

Note (1): Figures in the table were extracted from the Company's register of Shareholders as of 31 December 2017.

Note (2): The H Shares held by HKSCC Nominees Limited are those held on behalf of their multiple equity owners.

3. On 31 December 2017, the number of Shares held by top 10 Shareholders subject to selling restrictions and information on the selling restrictions

Unit: share

No.	Name of Shareholder who is subject to selling restrictions	Shares subject to selling restrictions available for listing and trading			Trading restrictions
		Number of shares held subject to selling restrictions	Time available for listing and trading	Number of additional shares available for listing and trading	
1	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	6 January 2018	185,220,207	12 months

No.	Name of Shareholder who is subject to selling restrictions	Shares subject to selling restrictions available for listing and trading			Trading restrictions
		Number of shares held subject to selling restrictions	Time available for listing and trading	Number of additional shares available for listing and trading	
2	Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	181,345,336	6 January 2018	181,345,336	12 months
3	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	6 January 2018	161,580,310	12 months
4	CCB Principal Asset – ICBC – Shaanxi International Trust – Shaanxi 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	6 January 2018	161,404,041	12 months
5	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	6 January 2018	161,404,041	12 months
6	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	6 January 2018	161,401,139	12 months
7	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	6 January 2018	51,806,010	12 months
8	Caitong Fund – ICBC – Beijing Hesheng Qiantong Investment Co., Ltd. (財通基金–工商銀行–北京和盛乾通投資有限公司)	43,142,798	6 January 2018	43,142,798	12 months
9	Caitong Fund – Industrial Bank – Shanghai Guoxin Investment & Development Co., Ltd. (財通基金–興業銀行–上海國鑫投資發展有限公司)	38,854,508	6 January 2018	38,854,508	12 months

No.	Name of Shareholder who is subject to selling restrictions	Shares subject to selling restrictions available for listing and trading			Trading restrictions
		Number of shares held subject to selling restrictions	Time available for listing and trading	Number of additional shares available for listing and trading	
10	Caitong Fund – ICBC –Zhongxinjian Merchant Equity Investment Co., Ltd. (財通基金－工商銀行－中新建招商股權投資有限公司)	38,854,508	6 January 2018	38,854,508	12 months
11	Caitong Fund – ICBC –Huarong International Trust – Huarong • Yuance Fixed Gain Fund Advantage Portfolio Single Fund Trust (財通基金－工商銀行－華融國際信託－華融•遠策定增優勢組合單一資金信託)	38,854,508	6 January 2018	38,854,508	12 months

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: Shares subject to selling restrictions were listed for trading on 8 January 2018.

(V) Changes in Controlling Shareholder and De Facto Controllers

1. Controlling Shareholder

(1) Legal person

Name	China Metallurgical Group Corporation
Person in charge or legal representative	Guo Wenqing
Date of incorporation	18 December 1982

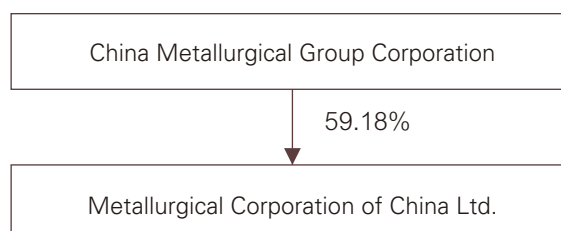
Principal business operations

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, China Metallurgical Group Corporation had equity interests of 27% in MCC Huludao Nonferrous Metals Group Co., Ltd., which in turn had a shareholding of 23.59% in Huludao Zinc Industry Co., Ltd. (000751).

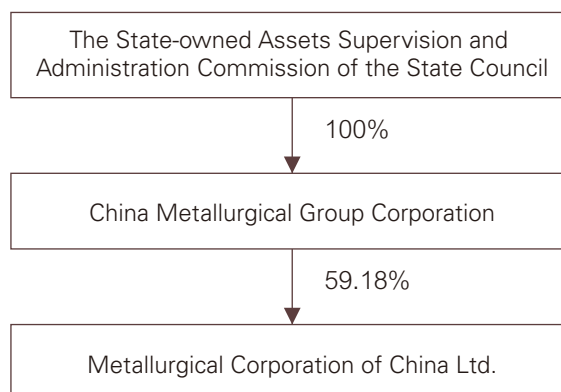
(2) Diagram of the equity and controlling relationship between the Company and the controlling shareholder



2. *De Facto Controllers*

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

Diagram of the equity and controlling relationship between the Company and the de facto controller



On 8 December 2015, the Company received a notice from MCC Group that, pursuant to an overall arrangement made by the Central Committee of the Communist Party of China and the State Council on the comprehensively deepening reform and the general requirements of the reform of state-owned enterprises, the SASAC of the State Council approved the strategic restructuring between MCC Group and China Minmetals Corporation, 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 date of this announcement, the relevant changes of industrial and commercial registration have not been completed.

(VI) 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

Saved as disclosed elsewhere in the announcement, neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

XV. RELEVANT INFORMATION ON CORPORATE BONDS

All public issuance conducted by the Company were all listed on a stock exchange. Corporate bonds that had not yet expired as at the approval reporting date of this announcement are set out as below:

Unit: RMB hundred million

Name of bonds	Short name	Stock code	Issue date	Expiry date	Outstanding bonds	Interest rate (%)	Method to pay principal and interests	Stock exchange
2017 Renewable Corporate Bonds (First Tranche)	17 MCC Y1	136987	28 February 2017 to 1 March 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (1 March) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interests shall be charged on such postponed period)	27	4.99	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year if the issuer does not exercise the right to postpone the payment of interests. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	SSE
2017 Renewable Corporate Bonds (Second Tranche)	17 MCC Y3	136972	10 March 2017 to 13 March 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (13 March) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interests shall be charged on such postponed period)	20	4.98	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year if the issuer does not exercise the right to postpone the payment of interests. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	SSE

Name of bonds	Short name	Stock code	Issue date	Expiry date	Outstanding bonds	Interest rate (%)	Method to pay principal and interests	Stock exchange
2017 Renewable Corporate Bonds (Third Tranche)	17 MCC Y5	143902	10 July 2017 to 11 July 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (11 July) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interests shall be charged on such postponed period)	20	5.10	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year if the issuer does not exercise the right to postpone the payment of interests. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	SSE
2017 Renewable Corporate Bonds (Fourth Tranche)	17 MCC Y7	143907	27 July 2017 to 28 July 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (28 July) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interests shall be charged on such postponed period)	13	5.10	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year if the issuer does not exercise the right to postpone the payment of interests. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	SSE
2017 Corporate Bonds (First Tranche) under the Public Issuance	17 MCC 01	144361	24 October 2017 to 25 October 2017	25 October 2022	5.7	4.99	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interests for the last tranche shall also be paid at the same time	SSE

XVI. 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 SSE and the Hong Kong Stock Exchange, constantly standardized the corporate governance and optimized the corporate systems and mechanisms. The Shareholders' Meeting, the Board and its special committees, as well as the Supervisory Committee of the Company 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 for the code provisions A.4.2 and E.1.2 of the Corporate Governance Code. Pursuant to the code provision E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting. Mr. Guo Wenqing, the chairman of the Company, was not able to attend the 2016 annual general meeting due to business engagement. Pursuant to relevant requirements, Mr. Zhang Zhaoxiang, the Vice Chairman and an executive Director of the Company, as jointly elected by a majority of Directors of the Company, presided over the meeting. Pursuant to the code provision A.4.2, every director shall be subject to retirement by rotation at least once every three years. From November 2014 to November 2017, the term of the second session of the Board and the Supervisory Committee of the Company has exceeded 3 years. Pursuant to the provisions of the Articles of Association of the Company, prior to the establishment of the next session of the Board and the Supervisory Committee, the members of the current session of the Board and the Supervisory Committee shall continue to discharge their duties. The Company will submit the information relating to the nomination or re-election of proposed Director or Supervisor to the general meeting for consideration or approval in accordance with legal procedures when practicable.

In June 2017, as considered and approved at the 2016 annual general meeting, the Company amended Article 18 under the Articles of Association for the purpose of increasing the registered capital and 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 disclosed on 11 January 2017).

XVII. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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 Supervisors, all Directors and Supervisors of the Company confirmed that they themselves and their respective associates had fully complied with the required standards provided by the above code during the Reporting Period.

XVIII. WORK REVIEW OF THE FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Company and its subsidiaries in collaboration with the Company's management, and has discussed with the Directors on matters in relation to the internal control and 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 2017.

XIX. 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.

XX. AUDITOR

Upon approval at the 2016 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 2017, 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 2017 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 four consecutive years. The signing certified public accountants for the 2017 audit report are Ma Yan Mei and Chen Wen Long, whom have acted as the signing certified public accountants and have been providing audit services for the Company for four consecutive years.

XXI. PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2017 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 11 April 2018 for inspection by the Shareholders.

XXII. DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“the Company” or “MCC”	Metallurgical Corporation of China Ltd.*
“State Council”	the State Council of the People’s Republic of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“CSRC”	the China Securities Regulatory Commission
“SSE”	the Shanghai Stock Exchange
“A Share Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Controlling Shareholder” or “MCC Group”	China Metallurgical Group Corporation
“China Minmetals”	China Minmetals Corporation
“MCC Real Estate”	MCC Real Estate Group Co., Ltd.
“Shareholders’ Meeting”	the shareholders’ meeting of Metallurgical Corporation of China Ltd.*
“Shareholder(s)”	holder(s) of share(s) of the Company
“Board”	the board of directors of Metallurgical Corporation of China Ltd.*
“Director(s)”	the director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors

“Independent Director” 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
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“Supervisor(s)”	the supervisor(s) of the Company
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*
“Reporting Period”	from 1 January 2017 to 31 December 2017
“A Share(s)”	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“connected person(s)”	connected party/parties under A Share Listing Rules and connected person(s) under the H Share Listing Rules
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollars, the lawful currency of the United States

“Corporate Governance
Code”

the Corporate Governance Code and Corporate
Governance Report set out in Appendix 14 of the
Hong Kong Listing Rules

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
29 March 2018

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*